

2002 COMPREHENSIVE REPORT ON U.S. TRADE AND  
INVESTMENT POLICY TOWARD SUB-SAHARAN AFRICA

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MESSAGE

FROM

**THE PRESIDENT OF THE UNITED STATES**

TRANSMITTING

THE 2002 COMPREHENSIVE REPORT ON U.S. TRADE AND INVEST-  
MENT POLICY TOWARD SUB-SAHARAN AFRICA AND IMPLEMEN-  
TATION OF THE AFRICAN GROWTH AND OPPORTUNITY ACT



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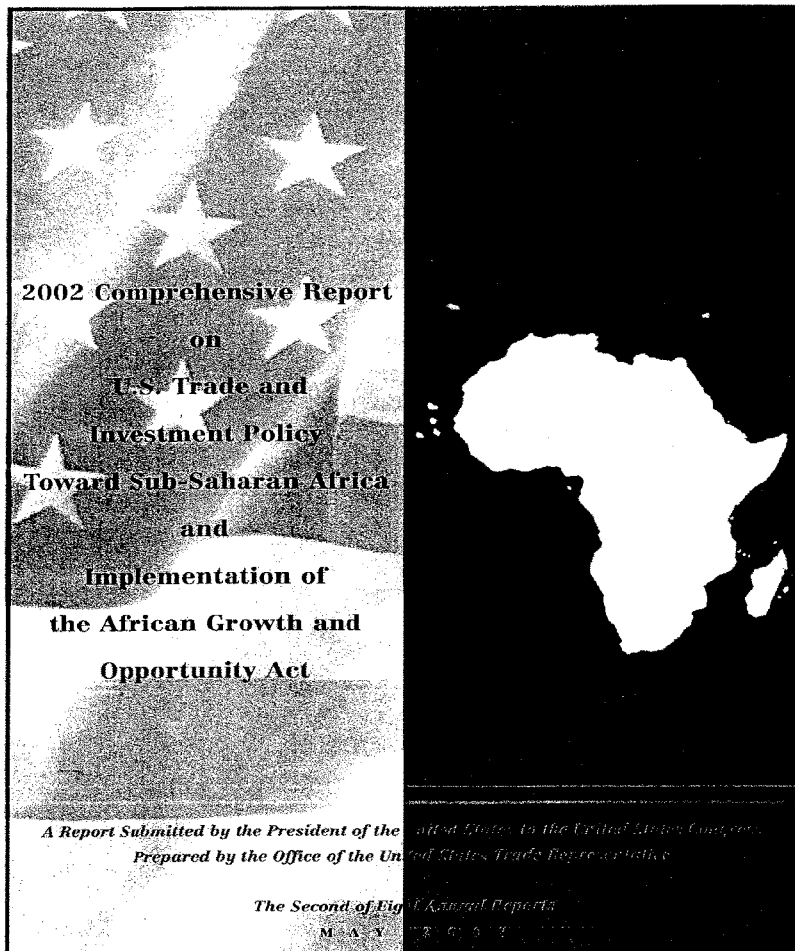
*To the Congress of the United States:*

As required by section 106 of title I of the Trade and Development Act of 2000 (Public Law 106–200), I am providing a report prepared by my Administration entitled, the 2002 Comprehensive Report on U.S. Trade and Investment Policy Toward Sub-Saharan Africa and Implementation of the African Growth and Opportunity Act.

GEORGE W. BUSH.

THE WHITE HOUSE, *May 20, 2002.*





**2002 Comprehensive Report  
on  
U.S. Trade and  
Investment Policy  
Toward Sub-Saharan Africa  
and  
Implementation of  
the African Growth and  
Opportunity Act**

*A Report Submitted by the President of the United States to the United States Congress,  
Prepared by the Office of the United States Trade Representative*

*The Second of Eight Annual Reports*

MAY 2002

**2002 Comprehensive Report on  
U.S. Trade and Investment Policy Toward Sub-Saharan Africa and  
Implementation of the African Growth and Opportunity Act  
The Second of Eight Annual Reports  
May 2002**

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**List of Frequently Used Acronyms**

ADF .....	African Development Foundation
AGOA .....	African Growth and Opportunity Act
ATRIIP .....	African Trade and Investment Policy
BIC .....	Business Information Center
CDC .....	Centers for Disease Control
CITA .....	Committee for the Implementation of Textile Agreements
CLDP .....	Commercial Law Development Program
COMESA .....	Common Market for Eastern and Southern Africa
DCA .....	Development Credit Authority
DOE .....	U.S. Department of Energy
DOL .....	U.S. Department of Labor
DOT .....	U.S. Department of Transportation
EAC .....	East African Cooperation
EAFCA .....	East African Fine Coffees Association
ECOWAS .....	Economic Community of West African States
EDDI .....	Education for Development Initiative
EPA .....	Environmental Protection Agency
EU .....	European Union
Ex-Im Bank .....	Export-Import Bank of the United States
FCC .....	Federal Communications Commission
FDI .....	Foreign Direct Investment
FHWA .....	Federal Highway Administration
FTA .....	Free Trade Agreement
GDP .....	Gross Domestic Product
GSP .....	Generalized System of Preferences
GTN .....	Global Technology Network
HHS .....	U.S. Department of Health and Human Services
HIPC .....	Heavily Indebted Poor Countries Initiative
HRSA .....	Health Resources and Services Administration
IF .....	Integrated Framework
ILO .....	International Labor Organization
IMF .....	International Monetary Fund
IPEC .....	International Program on the Elimination of Child Labor
MGA .....	Master Guarantee Agreement
MSED .....	Micro and Small Enterprise Development
NCC .....	Nigerian Communications Commission
NGO .....	Non-Governmental Organization
NIH .....	National Institutes of Health
NOAA .....	National Oceanic and Atmospheric Administration
OPIC .....	Overseas Private Investment Corporation
SACU .....	Southern African Customs Union



SADC .....	Southern African Development Community
SAEN .....	Southern Africa Enterprise Network
SBA .....	Small Business Administration
SME .....	Square Meter Equivalent
SMME .....	Small, Medium, and Micro Enterprise
SPS .....	Sanitary and Phytosanitary
SWH .....	Solar Water Heaters
TDA .....	U.S. Trade and Development Agency
TIFA .....	Trade and Investment Framework Agreements
TPSC .....	Trade Policy Staff Committee
TRADE .....	Trade for African Development and Enterprise
TRQ .....	Tariff Rate Quota
USAID .....	U.S. Agency for International Development
USDA .....	U.S. Department of Agriculture
USTR .....	Office of the United States Trade Representative
WAEMU .....	West African Economic and Monetary Union
WAIBL .....	West Africa International Business Linkages
WAPP .....	West Africa Power Pool
WTO .....	World Trade Organization

## **I. Executive Summary and Key Findings**

The African Growth and Opportunity Act (AGOA), Title I of the Trade and Development Act of 2000, requires the President to submit to Congress a comprehensive annual report on the trade and investment policy of the United States toward sub-Saharan Africa and on the implementation of AGOA. In addition to reporting on the impact and implementation of AGOA, this year's report contains expanded country information on AGOA-related trade and investment activities and a special section on U.S. Government trade capacity building initiatives. It also includes a section on potential free trade agreements with sub-Saharan African countries.

Since its enactment in 2000, AGOA has helped to transform the economic landscape of sub-Saharan Africa – stimulating new trading opportunities for African businesses and entrepreneurs, creating new jobs, and bringing hundreds of millions of dollars in much-needed investment to the region. U.S. imports from sub-Saharan Africa have increased 61.5 percent over the last two years. Substantially all products from sub-Saharan Africa are now eligible to enter the United States duty-free. The United States imported \$8.2 billion of duty-free goods in 2001 under AGOA, including the Act's Generalized System of Preferences (GSP) provisions, representing almost 40 percent of all U.S. imports from sub-Saharan Africa. Imports from every major industry group are entering the United States duty-free under AGOA. The United States is sub-Saharan Africa's largest single market, purchasing 27 percent of the region's exports in 2000.

In addition, U.S. exports to sub-Saharan Africa reached record levels in 2001, growing to nearly \$7 billion, a 17.5 percent increase from 2000. This increase in exports contrasted with a fall of 6.3 percent in U.S. exports worldwide. Sub-Saharan African export growth out-performed virtually all other sub-regions. Nevertheless, the region accounts for less than 1 percent of U.S. merchandise exports, and less than 2 percent of U.S. merchandise imports.

Implementation of AGOA is a central element of the Bush Administration's trade and investment policy toward sub-Saharan Africa, which aims to promote free markets, expand U.S.-African trade and investment, stimulate economic growth, and facilitate sub-Saharan Africa's integration into the global economy. AGOA's trade and investment-centered policy approach is also: (1) reinforcing Africa's own economic and political reform efforts; (2) providing greater African access to U.S. technical assistance and trade finance facilities; and (3) promoting high-level U.S.-sub-Saharan African dialogue on trade and investment issues. Achieving these policy objectives will benefit both the United States and sub-Saharan African countries by creating healthier and more stable economies, strengthening democratic governments in sub-Saharan Africa, and expanding markets for U.S. exports. Toward these aims, the Administration continues to consult closely with Congress, building on the bi-partisan Congressional support for AGOA and the existing Executive-Congressional partnership on Africa trade and investment.

The Administration's commitment to AGOA also reflects the growing significance of sub-Saharan Africa. The United States exported more to sub-Saharan African countries in 2001 than to all of the former Soviet Union and Eastern European countries combined. Sub-Saharan Africa

supplies 18 percent of U.S. oil imports. The 38 sub-Saharan African members of the World Trade Organization constitute the largest regional bloc in that body. African governments played a key role in launching a new round of global trade negotiations at the Fourth WTO Ministerial meeting in Doha in November 2001.

The Administration recognizes that U.S. policy toward Africa is best pursued in cooperation with sub-Saharan African countries, with U.S. initiatives and efforts fostering, supporting, and complementing African work and objectives. Accordingly, the Administration is encouraged by the commitment of many sub-Saharan African countries to undertake difficult economic, political, and social reforms and to strengthen trade relations with the United States. African leaders are demonstrating a new sense of urgency and commitment to implementing African solutions to the region's economic and political challenges. In addition to expanding U.S. trade and investment ties with the region, AGOA is providing new opportunities for high-level dialogue between the United States and sub-Saharan African countries on economic and trade issues. At the first U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum, held in Washington in October 2001, African ministers from the 35 AGOA beneficiary countries consulted with U.S. officials – including the Secretaries of State, Treasury and Commerce and the U.S. Trade Representative – on ways to work cooperatively to address the myriad trade and economic challenges facing sub-Saharan Africa. The implementation of AGOA, including the annual review of country eligibility for AGOA benefits, has served an important role in encouraging and supporting economic and political reforms in Africa. Many countries are strengthening and reforming their commercial and trade laws and updating their intellectual property regimes. Others are working to improve their customs procedures, streamline their tax systems, and accelerate privatization. Governments also have implemented or made commitments to implement reforms related to worker and human rights and child labor.

Sub-Saharan African countries need technical assistance and support to realize gains from both AGOA and participation in the WTO. A number of U.S. Government agencies, including USTR, USAID, the U.S. Customs Service, and the Departments of Commerce, Treasury, State, and Agriculture, are offering a wide range of technical assistance and trade capacity building programs. The U.S. Government is also supporting African efforts to address challenges related to debt relief, poverty reduction, infrastructure development, and HIV/AIDS and other infectious diseases.

The Administration will continue to actively engage sub-Saharan African countries on trade and investment issues. In addition to implementing AGOA, and actively working with sub-Saharan African countries in the WTO, the Administration is also advancing its trade policy in the region through Trade and Investment Framework Agreements (TIFAs) and enhanced and targeted technical assistance and capacity building programs. The Administration is also in the preliminary phase of exploring a free trade agreement with the Southern African Customs Union.

## Key Findings

### AGOA-Related Results

- AGOA is already helping many countries to expand and diversify their exports and build a manufacturing base to support long-term economic growth.
- AGOA is encouraging substantial new investments, jobs, and trade in many of the poorest countries in the world. Examples of results from AGOA include:
  - Increased investment valued at \$12.8 million in Kenya, including the establishment or reopening of at least nine factories, where new employment has generated at least 20,000 jobs.
  - The opening of eleven new factories and the expansion of eight additional ones in Lesotho, resulting in the creation of 15,000 new jobs, allowing manufacturing employment in Lesotho to exceed government employment for the first time;
  - The creation of at least 4,350 jobs in Malawi;
  - Investments of over \$78 million in Mauritius, and significant employment increases as a result of those investments;
  - New and planned investment in Namibia in the apparel and textile sector alone has topped \$250 million, creating an estimated 8,000 jobs over the next five years, and 18,000 jobs over ten years;
  - The opening of at least eight new factories in Swaziland, creating 11,000 jobs;
  - A planned \$20 million foreign investment in a Ugandan mill that will employ 500 people and benefit local agricultural producers.
- As sub-Saharan African companies try to develop opportunities under AGOA, they are seeking, and in many cases, using U.S. inputs, expertise, and joint-venture partnerships.
- While imports of apparel from sub-Saharan Africa have grown 60 percent under AGOA, significantly affecting African economies, these imports still represented less than 1.6 percent of total U.S. apparel imports in 2001. Sub-Saharan Africa accounted for less than two percent of all U.S. merchandise imports in 2001.
- AGOA implementation is challenged by a critical lack of institutional and human resource capacity in many sub-Saharan African countries. The number of people living on less than \$1 a day in the region has expanded. By nearly every socio-economic

indicator, the region continues to rank last.

#### AGOA-Related Reforms

- African government and private sector leaders have demonstrated strong interest in AGOA, and many have formed new inter-ministerial committees to help maximize their benefits under AGOA. AGOA also has generated new public-private sector partnerships, as African governments work with local industry to identify measures to meet AGOA requirements and to identify opportunities under AGOA.
- The United States continues to conduct extensive consultations with sub-Saharan African countries on AGOA eligibility criteria. Many AGOA beneficiary countries continue to implement economic reforms or are making commitments to implement economic reforms.
- In the past year, many additional AGOA beneficiary countries have ratified ILO Convention 182 on the elimination of the worst forms of child labor. Many countries also are working to change, or have changed, laws on child trafficking and worker rights.

#### AGOA Implementation

- Implementation of AGOA is a priority for the Bush Administration. Thirty-five sub-Saharan African countries have been designated as AGOA beneficiaries. Over 1,800 additional products from sub-Saharan Africa were designated for duty-free access to the United States, in addition to the 4,650 products already eligible under GSP. Substantially all products from sub-Saharan Africa now enter the United States duty-free. As of April 2002, 17 sub-Saharan African countries had been designated for AGOA apparel benefits, with six other countries in the process of meeting the requirements. The Administration is continuing its work to address concerns related to full implementation of AGOA apparel benefits.
- The Administration engaged in trade-related discussions with sub-Saharan African officials at the highest levels. President Bush addressed the first annual meeting of the U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum in Washington, DC in October 2001. The Secretaries of Commerce, State, and Treasury, and the U.S. Trade Representative participated actively in this event, along with their counterparts from the 35 sub-Saharan African beneficiaries of AGOA.
- U.S.-sub-Saharan African trade relations and AGOA implementation were the central focus of U.S. Trade Representative Robert Zoellick's February 2002 visit to Kenya, South Africa, and Botswana, the first-ever visit to sub-Saharan Africa by a sitting U.S. Trade Representative.

- Secretary of State Powell and Secretary of Health and Human Services Thompson also traveled to sub-Saharan Africa in the past year. Secretary of the Treasury O'Neill is scheduled to travel to several African countries in May 2002.

#### Economic Growth and Trade

- Sub-Saharan Africa experienced 2.7 percent GDP growth in 2001, down from 3.0 percent in 2000. In comparison, global growth fell sharply to 1.3 percent from 3.8 percent, and developing countries fell to 4.0 percent from 5.8 percent. 2001 marked the first year in the last five years that sub-Saharan Africa recorded faster growth than the world generally, although the region continued to lag behind the average pace of growth in developing countries.<sup>1</sup>
- Two-way trade between the United States and sub-Saharan Africa was \$28.3 billion in 2001, down 3.9 percent from 2000, when skyrocketing oil prices boosted total trade by 50 percent.
- U.S. exports to sub-Saharan Africa grew 17.5 percent in 2001 to nearly \$7 billion, eclipsing the previous high reached in 1998. The surge was led by aircraft, oil and gas field equipment, and motor vehicles and parts. Aircraft sales doubled on the strength of shipments to South Africa, Kenya, and Seychelles. Sales of oil field drilling equipment increased in Nigeria, Angola, Gabon, and Cameroon. South Africa and Namibia were strong markets for U.S. automotive products.
- U.S. imports from sub-Saharan Africa were \$21.3 billion in 2001, down 9.3 percent from 2000. The decline was caused by falling crude oil prices, but purchases of diamonds, platinum, and motor vehicles from South Africa prevented a sharper plunge in imports.
- Among the principal beneficiaries of AGOA trade, Nigeria received \$5.7 billion of benefits, Gabon \$938.7 million, and South Africa \$923.2 million. These three countries accounted for 92 percent of AGOA duty-free benefits.

#### Economic Integration, Debt, and Investment

- African regional economic integration efforts are proceeding, with progress varying by region.
- AGOA has helped to promote sub-Saharan Africa's integration into the multilateral trading system and support for new global trade negotiations in a region that accounts for

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<sup>1</sup> World Bank Global Economic Prospects and the Developing Countries, 2002; IMF World Economic Outlook Dec. 2001 (revised).

more than a quarter of WTO membership.

- Sub-Saharan African countries are participating more actively in the World Trade Organization and other multilateral trade discussions but face capacity and human resource constraints. The countries have called for greater technical assistance and trade-related capacity building efforts to help reverse their declining share of global trade flows and to assist them in meeting WTO obligations. The Administration is working with African countries on WTO-related issues and providing significant technical assistance and trade-related capacity building.
- In addition to AGOA, the Heavily Indebted Poor Countries Initiative (HIPC) has served as an impetus for economic reform. Many countries are privatizing key sectors, liberalizing currency controls, establishing agencies to promote foreign investment, introducing mechanisms and laws to combat corruption, and implementing more transparent regulatory procedures.
- Under the enhanced HIPC Initiative, 22 sub-Saharan African countries qualified as eligible to receive significant debt relief. Total nominal debt relief for these countries under the HIPC Initiative will amount to \$31 billion. This action, combined with earlier debt relief initiatives, will reduce the debt of these countries on average by two-thirds.
- Global foreign direct investment in sub-Saharan Africa increased sharply in 2001, nearly doubling from \$6.8 billion in 2000 to \$13.7 billion in 2001.<sup>2</sup> But almost all of that increase was due to the financial restructuring of a South Africa firm. Only about 3 percent of total worldwide investment flows go to sub-Saharan Africa.

#### Outreach and Trade Capacity Building

- Since the last annual report, USTR organized and led highly successful regional AGOA seminars in Cameroon and Uganda and single-country workshops in Ghana, Kenya, Rwanda, and Ethiopia, as well as a special briefing in Geneva on AGOA for African delegations to the WTO. Administration officials and U.S. Embassies have also participated in numerous seminars, conferences and other events related to AGOA, both in the United States and in Africa.
- The Administration views trade capacity building programs as an essential component of AGOA implementation and overall U.S. trade and investment policy toward sub-Saharan Africa. From 1999 to 2001, the United States provided \$192 million in overall trade capacity building assistance to sub-Saharan Africa.
- The African Trade and Investment Policy Program (ATRIP), administered by USAID, has

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<sup>2</sup> World Bank Global Development Finance, 2002

been one of the principal vehicles for U.S. trade capacity building assistance. Since 1998, ATRIP has funded 115 trade and investment capacity building projects in 31 sub-Saharan African countries, totaling \$75 million. Although ATRIP funding ended in fiscal year 2001, many of the projects it funded will continue into fiscal year 2003.

- In 2002, USAID will inaugurate Trade for African Development and Enterprise, a new, multi-year trade capacity building initiative that will promote African integration into the global economy and greater regional cooperation on trade.
- U.S. support for WTO technical assistance and training programs includes a \$1 million contribution to the Doha Development Agenda Trust Fund and another \$1 million for Africa-specific programs, including seminars on WTO awareness and scholarships for sub-Saharan African trade officials to study WTO issues in Geneva.
- In 2002, USTR plans to host two regional seminars in sub-Saharan Africa on agriculture and services. Additionally, USAID continues to sponsor a number of national WTO seminars in sub-Saharan Africa.

#### Development Assistance

- USAID has active bilateral assistance programs with 22 sub-Saharan African countries and three regional offices in East, southern, and West Africa. Other agencies, such as the Departments of Agriculture, Commerce, Energy, Labor, State, Transportation, and Treasury, and agencies such as the Office of the U.S. Trade Representative, the Environmental Protection Agency, the U.S. Export-Import Bank, and the Overseas Private Investment Corporation have significant programs and initiatives aimed at assisting African countries in implementing economic reform; improving financial management; developing transportation, energy, telecommunications, and environmental infrastructure; developing small business; and building capacity.
- In March 2002, President Bush announced that the United States will create a separate development assistance account, the Millennium Challenge Account. This account will be funded by increases in the budget beginning in fiscal year 2004. The Millennium Fund Account is designed to rise up to \$5 billion per year starting in Fiscal year 2006, which represents a 50 percent increase over the approximate \$10 billion in existing U.S. development assistance. The Millennium Challenge Account is designed to help spur economic growth in developing nations that are demonstrating a commitment to good governance, invest in their people, and promote economic freedom.
- The Administration has a high-level task force on HIV/AIDS co-chaired by the Secretary of State and the Secretary of Health and Human Services. The Administration has pledged \$500 million to the new Global Fund to Fight HIV/AIDS, Malaria, and Tuberculosis.



Potential Free Trade Agreements with Sub-Saharan African Countries

- During his February 2002 visit to sub-Saharan Africa, U.S. Trade Representative Zoellick and Trade Ministers from the Southern African Customs Union (SACU) countries – South Africa, Botswana, Lesotho, Namibia and Swaziland – discussed the possibility of a free trade agreement between SACU and the United States. SACU Ministers expressed strong support for further exploring this possibility. SACU and U.S. officials are expected to meet again soon to discuss a framework for further progress leading to negotiations.
- The Administration has concluded the United States' first Trade and Investment Framework Agreements (TIFAs) with sub-Saharan African regional trade organizations. In October 2001, Ambassador Zoellick signed a TIFA with the 20-member Common Market for Eastern and Southern Africa. The United States signed a TIFA with the eight-member West African Economic and Monetary Union in April 2002.

## **II. Introduction**

Section 106 of the African Growth and Opportunity Act (AGOA), Title I of the Trade and Development Act of 2000, requires the President to submit a report to Congress annually through 2008 on trade and development policy toward Africa and on implementation of AGOA. The Act also requires the President to submit a report to Congress on potential free trade agreements with sub-Saharan African countries.

This is the second of eight annual reports required under AGOA. It was prepared by the Office of the United States Trade Representative with input from numerous federal agencies and offices including the Departments of Agriculture, Commerce, Energy, Health and Human Services, Labor, State, Transportation, and Treasury, as well as the African Development Foundation, the Council of Economic Advisors, the Environmental Protection Agency, the National Security Council, the Overseas Private Investment Corporation, the Small Business Administration, the U.S. Agency for International Development, the U.S. Customs Service, the U.S. Export-Import Bank, the U.S. International Trade Commission, and the U.S. Trade and Development Agency.

This report continues a series of annual Presidential reports to Congress on U.S. trade and investment policy toward Africa, required under the Uruguay Round Agreements Act of 1994. The current report expands on the scope of earlier reports to include information on the implementation of AGOA, including the designation of beneficiary countries, the impact that AGOA has had on U.S. trade with and investment in sub-Saharan Africa, and information on reforms being undertaken by AGOA beneficiary countries. This year's report contains expanded

country information on AGOA-related trade and investment activities and a special section on U.S. Government trade capacity building activities.

### **III. The African Growth and Opportunity Act**

Implementation of the African Growth and Opportunity Act is a central element of the Bush Administration's policy to expand trade and investment and promote free markets, economic reform and growth in sub-Saharan Africa. This section of the report provides a summary of AGOA, progress on its implementation, and information on reforms and opportunities that have emerged from the Act.

AGOA authorized a new U.S. trade and investment policy toward Africa. It has transformed U.S.-sub-Saharan African trade relations, promoting increased trade and economic cooperation between the United States and eligible sub-Saharan African countries. The Act has proven to be a meaningful and significant opportunity for both the United States and sub-Saharan Africa. In just two years, AGOA has already generated increased trade, cooperation, and investment flows between the United States and sub-Saharan Africa.

AGOA:

- Institutionalizes a process for strengthening U.S. relations with African countries and provides incentives for African countries to achieve political and economic reform and growth.
- Offers eligible sub-Saharan African countries duty-free and quota-free U.S. market access for substantially all products.
- Provides additional security for investors and traders in African countries by guaranteeing GSP benefits for eight years.
- Eliminates the GSP competitive need limitation for beneficiary sub-Saharan African countries.
- Established the U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum to facilitate regular ministerial-level trade and investment policy discussions.
- Promotes the use of technical assistance to strengthen economic reforms and development, including assistance to strengthen relationships between U.S. firms and firms in sub-Saharan Africa.

#### Apparel and Textile Benefits

- Lifts all existing quotas on eligible textile and apparel articles from eligible sub-Saharan African countries.
- Extends duty-free and quota-free U.S. market access for sub-Saharan African apparel made in eligible sub-Saharan African countries from yarns and fabrics not produced in commercial quantities in the U.S., including silk, velvet, and linen.
- Extends duty-free and quota-free treatment for apparel made in eligible sub-Saharan countries from U.S. yarn and fabric and for knit-to-shape sweaters made in the region from cashmere and some merino wools.
- Extends duty-free and quota-free U.S. market access for apparel made in eligible sub-Saharan African countries from regional fabric and yarn. Such imports, however, are subject to a cap (limit) ranging from 1.5 to 3.5 percent of the multibillion dollar U.S. apparel import market over an 8-year period. Eligible apparel imports currently total about \$250 million. Normal MFN duties would be levied on apparel imports over the cap.
- Provides a special provision in the cap which allows beneficiary sub-Saharan African countries with an annual GNP of under \$1,500 ("lesser developed beneficiary countries") to use third-country fabric inputs for four years<sup>3</sup>.

#### **A. Implementation**

U.S. Trade Representative Robert Zoellick has actively worked on implementation of AGOA by engaging Congress, African governments, the U.S. private sector, and NGO communities. Implementation requirements under AGOA include designation of countries as AGOA beneficiaries. To date, 35 countries have been designated as AGOA beneficiary countries (see the list at Annex A). Another major requirement under AGOA was the designation of additional products which AGOA beneficiary countries could export to the United States duty-free under the GSP program.

AGOA requires that designated beneficiary countries meet certain customs-related requirements in order to receive the apparel benefits in AGOA, such as the establishment of an effective visa system. As of April 2002, the U.S. Trade Representative has determined that 17 countries are eligible for AGOA apparel benefits. The United States is actively engaged with at least six other countries that are in the process of meeting the requirements for AGOA apparel benefits. Additional information on visa requirements and AGOA apparel benefits is provided below

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<sup>3</sup> Third countries are those in the region that have not qualified for AGOA textile and apparel benefits and those outside the region (except the United States).

under Apparel Visa System and Related Customs Requirements.

Other AGOA requirements, such as the establishment of a U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum (Chapter VII), are described in other sections of this report.

## **B. Outreach**

The Administration recognizes that outreach to the private sector, civil society, and to African governments is critical to the success of AGOA. Accordingly, USTR and other U.S. agencies have made outreach, on both sides of the Atlantic, a priority in their efforts to implement AGOA. In sub-Saharan Africa, outreach efforts have included seminars, speaker programs, media programs, and information dissemination. In the United States, outreach has included extensive meetings with the African diplomatic corps, the private sector, and leading non-governmental organizations.

USTR has devoted considerable attention to AGOA outreach in both sub-Saharan Africa and the United States. AGOA was a major theme of U.S. Trade Representative Robert Zoellick's February 2002 visit to Kenya, South Africa, and Botswana, the first-ever visit to sub-Saharan Africa by a sitting U.S. Trade Representative. In speeches and press conferences, Ambassador Zoellick highlighted developments and opportunities accorded by both sub-Saharan Africa and the United States. In meetings with Heads of State, Trade Ministers, and other government and private sector officials, Ambassador Zoellick consulted on AGOA implementation and ways in which countries could maximize AGOA benefits. Ambassador Zoellick also announced \$10 million in AGOA and other trade capacity building support to the region.

USTR continues to organize and lead AGOA seminars in the region involving representatives of the Departments of Commerce, Agriculture, and State, as well as USAID, the U.S. Customs Service, and the private sector. Since the last annual report, regional AGOA seminars were held in Cameroon and Uganda and single-country workshops were held in Ghana, Kenya, Rwanda, and Ethiopia. These trade capacity building sessions also serve an important outreach function by publicizing the provisions of AGOA and promoting linkages between African and U.S. businesses. In March 2002, nearly 800 private and public sector representatives from 12 countries attended the regional seminar in Uganda; over 300 attended the event in Cameroon. (See Chapter V for more on these seminars.) USTR also hosted a May 2001 seminar in Geneva to brief sub-Saharan African delegations to the WTO on AGOA.

Administration officials have participated in numerous seminars, conferences and other events in the United States related to AGOA. For example, the Assistant U.S. Trade Representative for Africa gave the keynote address at an April 2002 U.S. cotton industry trade conference in Miami. That conference was aimed at strengthening U.S.-African trade relationships in the textile and apparel sectors. USTR and the Commerce Department officials have also met frequently with the African diplomatic corps, Industry Sector Advisory Committee, and companies interested in

AGOA, and have traveled to several cities in the United States to address conferences about AGOA. In the coming year, USTR will further enhance its outreach to U.S. constituencies by reactivating the Trade Advisory Committee on Africa, thereby strengthening and institutionalizing U.S. private sector and NGO input into U.S. trade and investment policy toward sub-Saharan Africa and AGOA implementation.

U.S. agencies continued to make outreach materials available, including the comprehensive AGOA Implementation Guide and a popular and regularly updated official AGOA website ([www.agoa.gov](http://www.agoa.gov)). The Implementation Guide has been distributed widely to U.S. and African companies and African governments. It is also available, along with a comprehensive array of other information, on the AGOA website, which is maintained by the Department of Commerce. The site received a total of 51,000 visitors from its launch in 2000 to April 2002. In addition, USTR and other Administration officials continue to participate in interactive broadcast media programs with sub-Saharan African public and private sector officials.

USTR, U.S. Customs, and Commerce have focused special outreach efforts on disseminating information to countries on the process of applying for and meeting the requirements for AGOA apparel benefits. These agencies have developed specific guidance on apparel visa systems and other enforcement and legal requirements, and have worked closely with sub-Saharan African countries that are seeking these benefits to ensure that their proposed visa systems and laws meet AGOA requirements. U.S. Customs officers participated in USTR-sponsored AGOA technical assistance workshops in Ghana in May 2001, and Ethiopia, Rwanda, and Uganda in July 2001, to provide technical training on the establishment of an effective visa system and enforcement procedures to prevent unlawful transshipment.

The State Department has met with U.S. business leaders interested in creating or expanding commercial ties with AGOA countries. State produced three videos in English, French, and Portuguese introducing AGOA and highlighting AGOA success stories and disseminated them throughout Africa. These videos have aired widely on African media. State has sponsored AGOA speakers and programs in many African countries, including at regional seminars in South Africa and Kenya conducted by the U.S. Customs Service. In addition, it has offered advice on shipping products to the United States; held seminars in Kenya, Madagascar, Gabon, Senegal, and Nigeria to educate both government and the business sector about AGOA; sent a large number of U.S. business expert speakers to AGOA eligible countries; and conducted interviews on AGOA with local African media and the Voice of America. State has also made available French and Portuguese versions of the AGOA implementation guide, product list, and other key documents. In 2001, State launched an AGOA professional intern program, which brings African entrepreneurs from small- and medium-sized firms in AGOA eligible countries to the United States to learn about the U.S. market and business practices, port and customs operations.

In addition to extensive outreach efforts by Washington officials, almost all U.S. embassies in AGOA beneficiary countries have conducted outreach campaigns, done television and radio

interviews, placed op-eds in local media, conducted seminars, often in conjunction with local business organizations; disseminated information and publications, and organized meetings with local business communities. In many countries, U.S. embassy officers have traveled to provincial cities and towns to ensure that people outside of the capitals were also aware of AGOA's opportunities. In a number of instances, embassy officials have been invited to participate as members of African government AGOA implementation committees.

At the U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum in October 2001, President Bush announced that the United States would establish an Africa Regional Trade and Development Office under the U.S. Trade and Development Agency (TDA). This new office will be located in Johannesburg and will open in mid-2002. It will provide on-the-ground guidance to U.S. and African companies and African governments seeking to improve their access to the expertise and resources of the U.S. private sector and U.S. Government trade and development programs. TDA has also been active in other outreach activities. For example, the Director of the TDA participated in a special panel on AGOA, organized by the Corporate Council on Africa, at the U.N. Finance for Development Conference in Monterrey, Mexico in March 2002.

USAID's regional mission in Nairobi, with support from the International Executive Service Corps, is establishing an AGOA Support Desk at the Common Market for Eastern and Southern Africa (COMESA) Secretariat in Lusaka, Zambia. The COMESA AGOA desk will help COMESA member states to take immediate advantage of AGOA by "fast tracking" export commodities and making available general trade information for African and U.S. companies interested in expanding trade in Africa.

In addition to funding trade capacity building projects, USAID's Africa Trade and Investment Policy (ATRIP) program has also provided funding for many programs related to AGOA outreach, including the regional and single-country AGOA seminars cited above. For additional information on ATRIP, see Section V.

### **C. African Government and Industry Views**

Sub-Saharan African governments have demonstrated tremendous support for AGOA. Realizing that AGOA can serve as an important tool to spur economic development and growth, many African governments have made AGOA an economic development priority. Several countries have created inter-ministerial committees to ensure coordinated implementation of AGOA. These committees have helped to increase communication among ministries, which has led to better coordination on economic issues, even beyond those directly related to AGOA. Additional information on government and industry views is provided in Chapter IX.

The United States is pleased that AGOA has served as an impetus for increased African public-private sector coordination. The United States has encouraged these partnerships. In many cases, governments, together with their private sectors, are examining their economies to identify

areas of comparative advantage and barriers impeding production of competitive goods. Visits by U.S. and other foreign investors and buyers have helped to focus African governments on the conditions and prerequisites companies seek in making investments and sourcing goods.

Since AGOA's implementation, there has been a strong response not only from sub-Saharan African governments, but also from the private sector. Many sub-Saharan African businessmen have pressed their governments to assist them in understanding AGOA and in establishing an environment in which they can succeed in expanding trade, attracting investment, securing joint ventures, and meeting international standards for production and quality control. Businesses and associations have been contacting U.S. companies in search of joint venture partners and expertise. They have also been seeking out international investors. In many instances, AGOA has energized the private sector, encouraging them to re-examine trade opportunities not only with the U.S. but with other countries. Additional information on new trade and investment in specific countries is provided in Chapter IX.

#### **D. Country Eligibility**

The benefits established by AGOA are extended only to those countries that meet specific eligibility criteria. The criteria constitute "best practice" policies that will ultimately help to attract trade and investment and foster broadly-shared prosperity. Sub-Saharan African countries designated as eligible or beneficiary countries must undergo an annual review of their status. Countries may be added or withdrawn from the list of beneficiary countries during this annual review.

In considering the eligibility of sub-Saharan African countries for AGOA beneficiary status, AGOA requires the President to consider the countries based on specified criteria, including whether these countries have established or are making continual progress toward establishing: a market-based economy, the rule of law, the elimination of barriers to U.S. trade and investment, economic policies to reduce poverty, the protection of internationally recognized worker rights, and a system to combat corruption. Additionally, countries (1) cannot engage in activities that undermine U.S. national security or foreign policy interests, (2) cannot engage in gross violations of internationally-recognized human rights, (3) cannot provide support for acts of international terrorism, and (4) must have implemented its commitments to eliminate the worst forms of child labor.

USTR chairs an extensive Trade Policy Staff Committee (TPSC) review process to determine which countries are eligible for designation as AGOA beneficiaries. Through this process, country-specific issues and areas of concern are identified. The AGOA eligibility process is a vehicle to, *inter alia*, advance economic reform, internationally-recognized worker rights, human rights, anti-corruption actions, intellectual property protection, and to promote initiatives to eliminate the worst forms of child labor in sub-Saharan Africa. USTR's recommendations to the President regarding the designation of AGOA beneficiary countries are based on the results of countries' progress and efforts in these and other areas. Specific information on AGOA

beneficiary status and the reforms undertaken by individual governments is provided in Chapter IX of this report. The actual eligibility criteria are contained in Annex B.

#### Non-AGOA Beneficiary Countries

During the 2001 review process, the President determined that several countries did not meet the criteria for AGOA eligibility. The country summaries in Chapter IX provide specific information on AGOA beneficiary status. Comoros, Somalia, and Sudan did not express an interest in receiving the benefits of AGOA, and therefore were not reviewed by the Trade Policy Staff Committee and are not listed in Chapter IX.

#### **E. Product Eligibility**

Essentially all products of AGOA beneficiary countries may enter the United States duty-free, either under AGOA or under a category for which the United States maintains a zero most-favored-nation rate of duty. In the fourth quarter of 2001, more than 92 percent of U.S. imports from AGOA beneficiary countries entered duty-free, and that percentage is expected to increase as countries take full advantage of preferences under the Act. Products are eligible for preferential access to the U.S. market under AGOA in three ways:

- First, AGOA extended the existing GSP program (covering 4,650 products) for beneficiary countries through September 30, 2008. For regional exporters, this provides more stable, longer-term access to the U.S. market than they enjoyed under the existing GSP program which applies generally to developing countries around the world. In the past, GSP has been renewed approximately every two years. However, the existing program expired on September 30, 2001 and had not been renewed as of May 2002. AGOA also eliminates the competitive need limitation for beneficiary countries.
- Secondly, AGOA granted the President authority to provide duty-free treatment for certain other goods not covered under the existing GSP program that are the growth, product or manufacture of an beneficiary country. Using this expanded GSP authority, the President proclaimed duty-free treatment for an additional 1,835 items on December 21, 2000. Agricultural exports under AGOA's GSP and expanded GSP provisions remain subject to any U.S. tariff rate quotas (TRQs) that apply to like goods from all sources. In the few cases where TRQs exist, goods of beneficiary countries enter duty-free within the quota, but remain subject to any over-quota duties for shipments above the applicable quantitative limit.
- Third, separate AGOA provisions grant duty-free and quota-free treatment to qualifying apparel articles of beneficiary sub-Saharan African countries and to textile articles that are determined to be hand-loomed, handmade or folklore items.

As a result of these provisions, very few products of beneficiary countries are not eligible for



duty-free treatment. Those items currently include knit-to-shape apparel, flat goods, textile articles, certain steel products, canned peaches and apricots, and dehydrated garlic. The full list of products that may enter the U.S. duty-free under AGOA may be found at <http://www.ustr.gov/regions/africa/annex2a.pdf>.

#### **F. Apparel Visa System and Related Customs Requirements**

Under AGOA, beneficiary countries must meet certain customs-related criteria in order to receive AGOA textile and apparel benefits. These requirements are designed to ensure that unlawful transshipment does not occur and that the benefits of AGOA accrue to beneficiary countries in sub-Saharan Africa. AGOA requires, *inter alia*, that countries implement an effective visa system and have laws, regulations, or administrative procedures to prevent unlawful transshipment of articles and use of counterfeit documents. Countries must also have implemented and follow, or be making substantial progress toward implementing and following, certain customs procedures designed to assist the U.S. Customs Service in verifying the origin of products shipped from these countries to the United States.

Seventeen sub-Saharan African countries were declared eligible to receive AGOA textile and apparel benefits as of May 1, 2002: Botswana, Cameroon, Ethiopia, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Senegal, South Africa, Swaziland, Tanzania, Uganda, Zambia. These countries were designated by the U.S. Trade Representative after demonstrating that they had an effective visa system in place to verify that apparel and textile goods are in fact produced in a beneficiary sub-Saharan African country in accordance with the required rules of origin. The U.S. Government has provided countries with guidance on the elements of an effective visa system. This includes the requirement that the original commercial invoices for each shipment be stamped with an official government visa. The visa must contain certain information such as the date of the visa, the quantity of goods being shipped, the preference grouping under which the goods qualify, and a country code. In addition, governments must agree to cooperate with the U.S. Customs Service to prevent unlawful transshipment and use of counterfeit documentation. Governments must also agree to permit verification visits to factories, producers, and exporters, and must require factories, producers, and exporters to retain proper records relating to the production and/or exportation of eligible goods for a period of five years.

In order to facilitate African understanding of the U.S. requirements, an inter-agency group has prepared and provided to sub-Saharan African governments a model Visa Arrangement, the required AGOA Certificate of Origin Provisions for Textiles and Apparel, and an AGOA Certificate of Origin and Instruction Sheet. In addition, countries were provided with information on other required commitments. These include a requirement that a country have the appropriate legal framework (penalty structure and enforcement mechanisms) in place to prevent unlawful transshipment, and the legal authority to ensure that producers and exporters maintain production records for at least five years and that U.S. Customs officials have access to records and factory premises, as appropriate. In a number of training and technical assistance forums,

U.S. Customs officials have outlined the level of cooperation that is required of beneficiary countries and provided information on how countries can develop proactive initiatives to ensure that illegal transshipment is not occurring.

During the first full calendar year of implementation, the U.S. Customs Service reviewed approximately 8,000 visas issued by countries that have been granted apparel benefits. AGOA qualifying apparel entered the United States through 49 ports of entry. The U.S. government continues to work extensively with sub-Saharan African governments to lay the foundation for future participation in the benefits afforded by the legislation. The United States also requires beneficiary countries to provide detailed data for each shipment of AGOA-qualifying apparel exported to the United States. The U.S. Customs Service regularly compares each country's exports with U.S. imports from that nation as a means of identifying illegal transshipments through the use of counterfeit documents.

To help ensure the proper implementation of AGOA legislation, the U.S. Customs Service issued an Informed Compliance Publication (ICP) in May of 2001. This ICP is premised on the idea that in order to maximize voluntary compliance with Customs laws and regulations, the trade community needs to be clearly and completely informed on its legal obligations.

#### **G. Other Textile and Apparel Provisions**

AGOA includes several provisions which relate to the implementation of the Act's textile and apparel benefits. These provisions include:

- A "tariff snapback" in the event of a surge in imports of eligible articles causes serious damage or threat thereof to domestic industry.
- An annual cap on imports of certain apparel; the cap applies to apparel that is assembled in beneficiary countries from fabric formed in beneficiary countries from yarn originating either in the United States or in beneficiary countries. For a four-year period, the statute permits lesser developed beneficiary countries to obtain preferential treatment for apparel assembled in such countries regardless of the source of the fabric.
- The ability to determine that yarn or fabric cannot be supplied by the U.S. industry in commercial quantities in a timely manner, and to extend preferential treatment to eligible apparel made from such yarn or fabric ("short supply").
- Identification of eligible hand-loomed, handmade, or folklore articles; such products may be imported quota-free and duty-free.
- Special rules for "findings and trimmings", "interlinings", and "de minimus" content.

- Penalty provisions for exporters found to have engaged in illegal transshipment.

AGOA provides that the Secretary of Commerce will implement the tariff snapback. The President delegated implementation of the other five provisions to the Committee for the Implementation of Textile Agreements (CITA), via Presidential Proclamation 7350 of October 4, 2000 and Executive Order 13191 of January 17, 2001.

Apparel articles are eligible for benefits if they are:

- 1) Assembled in beneficiary countries from fabric wholly formed and cut in the United States from yarn wholly formed in the U.S.;
- 2) Cut and assembled in beneficiary countries from fabric formed in the U.S. from yarns wholly formed in the U.S., and assembled with thread formed in the U.S.
- 3) Cut (or knit-to-shape) and sewn or otherwise assembled in beneficiary countries from fabric or yarns that are considered to be "short supply" in the United States; or
- 4) Assembled in beneficiary countries from fabric formed in those countries from yarn originating either in the U.S. or in beneficiary countries, subject to an annual cap. (Articles from "lesser developed" sub-Saharan Africa countries qualify for additional benefits under the cap through September 30, 2004. This benefit permits countries to also use fabric inputs from outside of the U.S. and Africa in apparel production.)

#### Establishment of Cap

AGOA limits imports of apparel made with regional (sub-Saharan beneficiary country) or third-country (not produced in the United States or a sub-Saharan African beneficiary country) fabric to a fixed percentage of the aggregate square meter equivalents (SME) of all apparel articles imported into the United States. For the year which began on October 1, 2000, this percentage was 1.5 percent of the aggregate SME of all apparel articles imported into the United States in the preceding 12-month period. This percentage will be increased in equal annual increments to a level of 3.5 percent in the final year (i.e., the year beginning October 1, 2007).

Based on the statutory formula, the cap for the first 12-month period was 246.5 million SME. Imports under this cap during this first period totaled 41.9 million SME, or 17 percent. The cap for the second 12-month period, which began on October 1, 2001, is 313.3 million SME. Through February 2002, imports under this cap totaled 67.3 million SME, or 21 percent.

The duty-free cap is not allocated among countries. It is filled on a "first-come, first-served" basis. In any year that the cap is met, eligible apparel products from sub-Saharan Africa may still enter the United States; however, they will be assessed the prevailing normal trade relations duty rate (Column 1 rate detailed in the Harmonized Tariff System of the United States) at the time of entry.

Surge Mechanism

The Act specifies that when the Secretary of Commerce determines that there has been a surge in imports of an article from a beneficiary country such as to cause serious damage, or threat thereof, to the domestic industry producing a like or directly competitive article, the President shall suspend the duty-free treatment provided for such article.

Short Supply

Under the Act, the President is authorized to proclaim duty-free and quota-free treatment for apparel that is both cut (or knit-to-shape) and sewn or otherwise assembled in beneficiary countries from fabric or yarns not formed in the United States or a beneficiary country, if the President has determined that such yarns or fabrics cannot be supplied by the domestic industry in commercial quantities in a timely manner. In Executive Order 13191, the President delegated to CITA authority to determine whether yarn or fabric cannot be supplied by the domestic industry in commercial quantities in a timely manner and to extend preferential treatment to apparel articles from such yarn or fabric. As of April 15, 2002, six petitions for consideration under AGOA short supply provision had been received. Three of these petitions have been approved, two have been rejected, and one is currently under review.

Handloom, Handmade, or Folklore Articles

AGOA provides duty-free/quota-free benefits for hand-loomed, handmade, or folklore articles made in beneficiary Sub-Saharan Africa countries. In Executive Order 13191, the President authorized CITA, after consultation with the Commissioner of Customs, to consult with beneficiary Sub-Saharan Africa countries and to determine which, if any, particular textile and apparel goods shall be treated as being hand-loomed, handmade, or folklore articles. On February 17, 2001, all U.S. diplomatic posts in beneficiary countries were asked to notify host countries of the readiness of CITA to consider requests for products to be considered for benefits under the hand-loomed, handmade, or folklore provisions of the Act and to enter into consultations with those countries to assist in those determinations. CITA is currently reviewing proposals submitted by Kenya and Nigeria.

Interlinings

AGOA specifies that an article will not be disqualified from eligibility for benefits under the Act if it contains interlinings of foreign origin, if the value of such interlinings does not exceed 25 percent of the cost of components of the assembled article. This exception, however, shall terminate if the President determines that U.S. manufacturers are producing such interlinings in the United States in commercial quantities. Under Executive Order 13191, the President delegated to CITA the authority to make these determinations. To date, no determinations have been made.

#### Transshipment Penalties for Exporters

Under AGOA, if the President determines, based on sufficient evidence, that an exporter has engaged in illegal transshipment as defined in the Act, the President shall deny for a period of 5 years all AGOA benefits to such exporter or any successor entity. Under Executive Order 13191, the President delegated to CITA the authority to make such determinations. To date, CITA has not initiated investigations under this provision.

#### **H. Proposed AGOA Enhancement Legislation**

Additional legislation involving AGOA has been proposed. On November 16, 2001, the U.S. House of Representatives approved legislation known informally as “AGOA II,” as part of H.R. 3009, the Andean Trade Preference Act. As of late April 2002, this legislation was pending in the U.S. Senate. The House bill includes amending AGOA by clarifying Congressional intent to include knit-to-shape apparel under AGOA; increasing the cap on apparel imports made from regional fabric; granting lesser-developed country status to Botswana and Namibia; and revising the technical definition of merino wool.

### **IV. Economic and Trade Overview**

#### **A. Economic Growth**

Sub-Saharan African economies are growing once again after decades of stagnation, although the region’s economies still lag behind those of other parts of the world. The region’s performance continues to improve, despite conflicts in some areas, poor governance in a few countries, adverse movements of commodity prices, and the ravages of the HIV/AIDS pandemic. Several countries, including Mozambique, Uganda, and Ghana, have made key economic reforms, such as liberalizing markets and trade, improving economic management, and promoting private sector activity, which have resulted in notable growth rates, increased incomes, and declining poverty.

Sub-Saharan Africa’s economic growth suffered in 2001 from the global economic slowdown, but the region’s downturn was less pronounced than that recorded worldwide or in developing countries as a group. Sub-Saharan Africa experienced 2.7 percent growth in 2001, according to World Bank estimates, down from 3.0 percent in 2000. In comparison, global growth fell sharply to 1.3 percent from 3.8 percent, and developing countries fell to 4.0 percent from 5.8 percent, according to International Monetary Fund (IMF) statistics. 2001 marked the first year in the last five years that sub-Saharan Africa recorded faster growth than the world generally, although the region continued to lag behind the pace of developing countries.<sup>4</sup>

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<sup>4</sup> World Bank Global Economic Prospects and the Developing Countries, 2002; IMF World Economic Outlook Dec. 2001 (revised).

Sluggish global economic performance lowered growth prospects in sub-Saharan Africa even before the terrorist attacks of September 11, as sub-Saharan Africa faced lower commodity prices, reduced investment flows, and lower tourism revenues. These effects were more pronounced after September 11, which caused the IMF and World Bank to revise their growth forecasts downward. The projections allow for a gradual recovery beginning in the second half of 2002, with output expansion of 2.4 percent for the world, 4.4 percent in developing countries, and 2.7 percent in sub-Saharan Africa for the full year 2002. However, the outlook is highly uncertain with a significant possibility for a longer slump.

Africa's vulnerability to swings in commodity prices continues to have an impact on growth, with volatile oil prices creating both positive and negative economic shocks, and with depressed markets for other primary commodities presenting difficult economic challenges for most countries. Crude oil prices at the end of 2001 were under \$20 per barrel, more than \$12 below their high point for the year, and \$9 below the post-September 11 spike. Lower oil prices benefit the majority of African countries, mitigating the deterioration of their terms of trade caused by persistent weakness in non-fuel commodity prices and sharply higher oil import bills. However, a handful of countries which depend heavily on oil export revenues may be severely affected.

Most other commodity prices on which African countries depend remain depressed, including those for coffee, tea, and minerals. Gold prices were about 2 percent higher at the end of 2001 than they were at the beginning of the year, but nearly 5 percent below the high point reached shortly after September 11. Copper prices fell nearly 23 percent for the year, and platinum was down 19 percent.

Africa's vulnerability to changing commodity prices demonstrates the need for reforms to promote economic diversification in the region. Continuing economic reforms in many countries have helped to soften the effects of adverse commodity price swings on African growth, and have helped promote prosperity. Nevertheless, for much of the region, income inequality is still high and growth remains below the 5 percent rate needed to prevent an increase in the number of poor. In many sub-Saharan African countries, major segments of the population still cannot effectively participate in the modern global economy.

Macroeconomic reforms have spurred growth in a number of countries despite commodity price pressures. Benin, Botswana, Cape Verde, Mauritius, Senegal, and Uganda each experienced growth of 5 percent or more in 2000. Growth in Mozambique had been depressed by disastrous floods, but rebounded in 2001 to 9.6 percent. Burkina Faso, Madagascar, Mali, and Tanzania enjoyed steady, if less spectacular expansion. Progressive policies have allowed these countries to benefit from export-led growth.

Improved performance in Africa's two largest economies, South Africa and Nigeria, boosted sub-Saharan Africa's growth in 2000 and 2001. Spurred by high crude oil prices, Nigeria enjoyed

3.8 percent growth in 2000 compared with 1.1 percent in 1999. The IMF estimates that the Nigerian economy expanded by 4.2 percent in 2001, as the country made modest progress in privatizing state-owned companies, liberalizing the investment climate, and rehabilitating infrastructure. Falling oil prices make the outlook for 2002 more difficult. In addition, Nigeria lost momentum on economic reform, failing to meet IMF targets and to complete debt rescheduling agreements. The IMF projects only 1.8 percent growth for Nigeria this year. South Africa benefitted in 2000 from an upsurge in demand for platinum group metals used in autos, jewelry, liquid crystal displays, and computer disk drives. South Africa's economy grew at a 3.4 percent pace, compared to 2.1 percent in 1999, according to revised estimates from the South African Reserve Bank. Growth slowed to 2.2 percent in 2001 as platinum prices declined. The IMF projects a 2.3 percent rate for 2002.

#### B. Trade with the United States

<i>U.S. Trade with Sub-Saharan Africa</i> (\$ Millions)					
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>Change 00-01</u>
U.S. Exports	6,694.0	5,568.5	5,925.8	6,963.0	17.5%
U.S. Imports	13,139.6	14,042.9	23,480.4	21,291.5	-9.3%

Two-way trade between the United States and sub-Saharan Africa declined slightly in 2001 as plummeting crude oil prices held down U.S. imports, offsetting strong growth in U.S. exports. Total trade (imports plus exports) was \$28.3 billion, down 3.9 percent from the 2000 level when skyrocketing oil prices boosted total trade by 50 percent, to \$29.4 billion.

- U.S. exports to sub-Saharan Africa grew 17.5 percent in 2001 to nearly \$7 billion, eclipsing the previous high reached in 1998. The surge was led by aircraft, oil and gas field equipment, and motor vehicles and parts. Aircraft sales doubled on the strength of shipments to South Africa, Kenya, and Seychelles. Oil field drilling equipment sales performed well in Nigeria, Angola, Gabon, and Cameroon. South Africa and Namibia were strong markets for U.S. automotive products.
- U.S. imports from sub-Saharan Africa were \$21.3 billion, down 9.3 percent from 2000. The decline was caused by falling crude oil prices, but purchases of diamonds, platinum, and motor vehicles from South Africa prevented a sharper plunge in imports.
- In 2001, the United States imported \$8.2 billion of duty-free goods under the provisions of AGOA, including its GSP provisions. Overall, U.S. exports to the 35 AGOA-eligible countries were up 19 percent, while imports were off 10 percent. However, if crude oil, precious metals and stones are excluded, imports from AGOA countries increased 10.7 percent. Trade in automotive products grew rapidly in both directions, and U.S. apparel

imports grew 28 percent.

#### Africa's Global Trade

Sub-Saharan Africa's total merchandise imports climbed 9.8 percent in 2000 (the latest year available), to \$86.5 billion, as demand in Nigeria and South Africa rebounded after lagging in 1999.

- Nigeria's imports topped \$8.8 billion, a 16 percent increase from a year earlier. Import growth had been flat in 1999.
- South African imports grew more modestly at 6 percent, to \$24.8 billion, following a 12 percent contraction in 1999.

Sub-Saharan Africa's total merchandise exports grew even faster than imports in 2000, climbing to \$86.7 billion, a gain of 18.2 percent, propelled by high prices for crude oil, as well as for diamonds and platinum group metals from South Africa. 2000 marked the first year since 1997 that the region ran a merchandise trade surplus with the world, albeit a narrow one of \$200 million.

Sub-Saharan Africa's 18.2 percent gain in exports was above the 12.3 percent increase in 2000 total world exports, but slightly below the 18.6 percent registered by developing countries. Despite its relatively strong performance, sub-Saharan Africa accounted for less than 1.5 percent of world trade in 2000. Africa's share of world trade has declined steadily over time, increasing its marginalization in the global economy, and excluding the region from growing world prosperity. Over the last decade, sub-Saharan Africa's trade has grown 38 percent, while world trade has expanded 85 percent. In the same period, Africa's combined GDP grew less than 9 percent, compared to a global figure of more than 43 percent.

Sub-Saharan Africa accounts for less than 1 percent of U.S. merchandise exports, and less than 2 percent of U.S. merchandise imports. Proportions are only slightly higher for the region's trade with the EU. Based on partial year data, sub-Saharan Africa represented 3.5 percent of total EU exports and 4.3 percent of total imports. However, the United States is Africa's largest single market, purchasing 27 percent of the region's exports in 2000. The United Kingdom was a distant second at 7.2 percent, and France third at 6.3 percent. The EU absorbed 37.2 percent of sub-Saharan Africa's exports in 2000, down from 42.5 percent in 1999.

- Most industrial countries experienced declining shares of Africa's import market in 2000 as Asian exporters recovered market share lost in the aftermath of the financial crisis of the late 1990s, and as trade expanded between South Africa and its sub-Saharan neighbors.
- The U.S. share of the sub-Saharan African market declined in 2000 to 6.8 percent from 7.2 percent in 1999, despite a small increase in exports to the region.



- The EU market share fell to 35.2 percent from 38.1 percent, although its exports also climbed slightly. France was an exception to the downward trend among developed country suppliers with a marginal gain in market share, driven by an 11.3 percent increase in exports to sub-Saharan Africa.
- South Africa's exports to other sub-Saharan African countries grew nearly 9 percent in 2000, boosted by sales of refined oil products and trucks to neighboring countries of Southern Africa. South African exports registered a further 5 percent growth in 2001 in U.S. dollar terms, based on eleven months of data.

<i>Sub-Saharan Africa's Principal Industrial Country Trading Partners (\$ Billions and Market Share)</i>				
	<i>1999</i>	<i>% Share</i>	<i>2000</i>	<i>% Share</i>
<i>Sub-Saharan Africa's Imports</i>				
<i>France</i>	<i>7.9</i>	<i>10.0</i>	<i>8.7</i>	<i>10.1</i>
<i>United States</i>	<i>5.7</i>	<i>7.2</i>	<i>5.9</i>	<i>6.8</i>
<i>Germany</i>	<i>5.9</i>	<i>7.4</i>	<i>5.6</i>	<i>6.5</i>
<i>United Kingdom</i>	<i>4.9</i>	<i>6.2</i>	<i>4.8</i>	<i>5.6</i>
<i>Japan</i>	<i>3.8</i>	<i>4.8</i>	<i>3.7</i>	<i>4.3</i>
<i>Italy</i>	<i>2.5</i>	<i>3.2</i>	<i>2.8</i>	<i>3.2</i>
<i>Total EU</i>	<i>30.0</i>	<i>38.1</i>	<i>30.5</i>	<i>35.2</i>
<i>Sub-Saharan Africa's Exports</i>				
<i>United States</i>	<i>14.8</i>	<i>20.2</i>	<i>23.6</i>	<i>27.0</i>
<i>United Kingdom</i>	<i>5.3</i>	<i>7.2</i>	<i>6.3</i>	<i>7.2</i>
<i>France</i>	<i>5.2</i>	<i>7.2</i>	<i>5.5</i>	<i>6.3</i>
<i>Germany</i>	<i>4.6</i>	<i>6.3</i>	<i>5.1</i>	<i>5.9</i>
<i>Italy</i>	<i>4.4</i>	<i>6.0</i>	<i>4.5</i>	<i>5.1</i>
<i>Japan</i>	<i>3.5</i>	<i>4.8</i>	<i>4.4</i>	<i>5.0</i>
<i>Total EU</i>	<i>31.2</i>	<i>42.5</i>	<i>32.6</i>	<i>37.2</i>
<i>Source: Derived from IMF Directions of Trade Yearbook, 2001</i>				

#### U.S. Merchandise Exports in 2001

U.S. merchandise exports to sub-Saharan Africa were nearly \$7 billion in 2001, a 17.5 percent increase from the 2000 total. The expansion was led by sales of aircraft to South Africa, Kenya, Cameroon, and Seychelles; oil and gas field equipment to Nigeria and Angola; construction and telecommunications equipment to various countries; and automotive equipment to South Africa and Namibia. Exports had grown 6.4 percent in 2000.

The 17.5 percent increase in 2001 shipments to sub-Saharan Africa contrasted with a fall of 6.3 percent in U.S. exports worldwide, and bettered the performance in virtually every other sub-region. U.S. sales to Central and South America were down by 1.5 percent, and by 10.5 percent in East Asia. U.S. exports grew a modest 2.7 percent in the Middle East/North Africa, 5.9 percent in Eastern Europe, and 15.4 percent in the Newly Independent States of the former Soviet Union.

U.S. exports to sub-Saharan Africa were 81 percent greater than those to the former Soviet republics, and more than twice those to Eastern Europe. U.S. exports to South Africa alone were larger than U.S. sales to Russia, whose population is more than 3.5 times as large.

U.S. exports to sub-Saharan Africa remain highly concentrated among a small number of countries, although slightly less so than in 2000. The top four markets, South Africa, Nigeria, Kenya, and Angola, accounted for 69 percent of U.S. sales in 2001, with South Africa accounting for 43 percent, Nigeria for 14 percent, Kenya for 8.3 percent, and Angola for 4 percent. In 2000, the top four markets represented 72 percent of total exports.

<i>Leading U.S. Export Markets in Sub-Saharan Africa</i>	
<u>Country</u>	<u>2001 Export Value (\$ Millions)</u>
<i>South Africa</i>	<i>2,961.8</i>
<i>Nigeria</i>	<i>957.2</i>
<i>Kenya</i>	<i>577.4</i>
<i>Angola</i>	<i>276.0</i>
<i>Namibia</i>	<i>255.6</i>
<i>Ghana</i>	<i>199.8</i>
<i>Cameroon</i>	<i>184.2</i>
<i>Seychelles</i>	<i>176.2</i>

EU exports to Africa are also highly concentrated among a small number of countries. Based on partial-year data, six countries – South Africa, Nigeria, Liberia, Cote d'Ivoire, Angola, and Gabon – accounted for 65 percent of EU exports to sub-Saharan Africa in 2001.

#### Leading U.S. Exports

U.S. exports contribute significantly to building and modernizing infrastructure in sub-Saharan Africa. The principal U.S. exports included the following product categories: aircraft and parts; oil and gas field equipment; construction and agricultural machinery; motor vehicles and parts; industrial chemicals; computer equipment and software; and telecommunications equipment.

<i>Leading U.S. Exports to Sub-Saharan Africa</i>	
<i>Item</i>	<i>2001 Export Value (\$ Millions)</i>
<i>Aircraft and parts</i>	<i>1,466.9</i>
<i>Oil and gas field equipment</i>	<i>1,293.4</i>
<i>Motor vehicles and parts</i>	<i>508.5</i>
<i>Wheat</i>	<i>293.0</i>
<i>Construction machinery and parts</i>	<i>243.8</i>
<i>Industrial chemicals</i>	<i>234.5</i>
<i>Computers, peripherals, and software</i>	<i>181.7</i>
<i>Telecommunications equipment</i>	<i>158.3</i>
<i>Used clothing and textiles</i>	<i>61.7</i>
<i>Agricultural equipment</i>	<i>60.6</i>

#### U.S. Merchandise Imports in 2001

U.S. imports from sub-Saharan Africa declined 9.3 percent in 2001, to \$21.3 billion, due to falling petroleum prices. Crude oil so dominates U.S. imports from the region that oil price fluctuations overwhelm all other factors in the import account. Even with prices in steady decline, crude oil accounted for \$13.7 billion, or 64 percent of U.S. purchases. In 2000, with prices at or near peak levels, crude oil accounted for \$16.3 billion, or 69 percent of U.S. imports from the region.

- In 2001, U.S. crude oil imports from sub-Saharan Africa fell 16 percent in value terms. In contrast, crude oil imports from sub-Saharan Africa doubled in value in 2000 over 1999 levels.
- Sub-Saharan Africa supplied 18 percent of U.S. crude oil imports by value in 2001, virtually unchanged from 2000. In comparison, Persian Gulf suppliers provided 27 percent of U.S. imports, a slight increase from a year earlier.
- Nigeria, the number five U.S. supplier, provided \$8.1 billion of crude oil to the United States, 11 percent of total imports. Angola was the seventh leading supplier, at \$3 billion. Gabon (\$1.6 billion), Congo-Brazzaville (\$379 million), Equatorial Guinea (\$378 million), and Congo-Kinshasa (\$114 million), also ranked among the United States' top 30 suppliers.

The second leading U.S. import, platinum group metals, constituted only 7 percent of purchases. This category also includes iridium, palladium, and rhodium. Apparel grew ahead of diamonds into the number three position, with 4.5 percent of imports. Diamonds were 2.5 percent of U.S. imports.

<i>Leading U.S. Imports from Sub-Saharan Africa</i>	
<u>Item</u>	<u>2001 Import Value (\$ Millions)</u>
Crude oil	13,703.9
Platinum group metals	1,534.4
Woven or knit apparel	949.6
Diamonds	523.1
Motor vehicles and parts	359.4
Iron and steel	304.4
Cocoa beans and preparations	276.1

U.S. imports from Africa remained highly concentrated among a small number of suppliers, even more so than U.S. exports. Four countries, Nigeria, South Africa, Angola, and Gabon, accounted for more than 84 percent of U.S. purchases. Three were major crude oil suppliers, while South Africa supplied platinum, diamonds, and motor vehicles.

<i>Principal Sub-Saharan African Suppliers to the United States</i>	
<u>Country</u>	<u>2001 Import Value (\$ Millions)</u>
Nigeria	8,786.3
South Africa	4,428.3
Angola	3,099.6
Gabon	1,655.2

EU imports from sub-Saharan Africa were also highly concentrated. The six leading suppliers, South Africa, Nigeria, Côte d'Ivoire, Cameroon, Angola, and Botswana, accounted for more than 68 percent of EU imports from the region. By product group, crude oil constituted over 18 percent of the total, diamonds 15 percent, and gold 5 percent.

#### AGOA Imports and Trade with AGOA Countries

The United States imported \$8.2 billion duty-free under AGOA provisions in 2001, including items from AGOA beneficiary countries that qualified under the Generalized System of Preferences (GSP) program and the Act's textile and apparel provisions.<sup>5</sup> \$6.8 billion, or 84 percent of the total, were petroleum products. Apparel accounted for \$356 million, and transportation equipment \$289 million. Among the principal beneficiaries, Nigeria received \$5.7

<sup>5</sup> Data on AGOA imports are based on U.S. International Trade Commission data on an import for consumption basis.

billion of benefits, Gabon \$938.7 million, and South Africa \$923.2 million. These three countries accounted for 92 percent of AGOA duty-free benefits in 2001.

Total imports from the 35 AGOA-eligible countries, including all items, were \$17.1 billion, a decline of 10 percent from 2000, due to the predominance of crude oil. Excluding oil, precious stones, and metals, AGOA countries saw a 10.7 percent increase in sales to the United States, led by a 28 percent increase in apparel, in particular from Lesotho, Madagascar, South Africa, and Kenya. South Africa benefitted from a ten-fold increase in shipments of passenger cars, to \$256 million, as a European manufacturer shifted production lines of its U.S.-bound cars to its South African affiliate in order to take advantage of AGOA tariff concessions. AGOA also helped boost South African shipments of citrus fruit to the United States to \$20.2 million, from \$8.3 million in 2000.

Overall U.S. trade with the 35 AGOA-eligible countries in 2001 closely paralleled the trend for sub-Saharan Africa as a whole. Total trade declined 3.6 percent due to moderating oil prices, although U.S. exports to AGOA countries surged 19.1 percent. The pattern of products and markets closely followed that of overall exports to Sub-Saharan Africa and does not reveal a clear trend attributable to AGOA, with the exception of the automotive sector where U.S. products spurred exports from South Africa and Namibia. Exports of U.S. passenger vehicles to South Africa spiked upward nearly 240 percent to \$135.9 million, while sales of motor vehicle parts fell 25 percent. Shipments of automotive parts to Namibia more than tripled to \$174.1 million.

### **C. Investment Results**

As might be expected, trade and investment have flowed to those countries which offer the most competitive and investor-friendly environments. Experience has shown that businesses and investors seek dependable, transparent, and open regulatory regimes, adequate infrastructure, and political and economic stability. AGOA countries generally are working to create such conditions. In addition, some countries are still rebuilding from years of conflict, are dealing with inadequate transportation, have other infrastructure problems, or have less natural resources or a smaller manufacturing base. The United States has stressed that AGOA offers opportunities but that African governments as well as the private sector must actively develop and seize these opportunities.

In some countries, AGOA is encouraging substantial new investments, jobs, and trade. Examples of results from AGOA include: the creation of 20,000 jobs and increased investment valued at \$12.8 million in Kenya, where new employment from AGOA is expected to generate an additional 150,000 indirect jobs; the creation of at least 4,350 jobs in Malawi; investments of over \$78 million in Mauritius and significant employment increases as a result of those investments; new and planned investment in Namibia in the apparel and textile sector alone has topped \$250 million, creating an estimated 8,000 jobs over the next 5 years, and 18,000 jobs over ten years; the opening of at least eight new factories in Swaziland, creating 11,000 jobs.

AGOA has attracted significant foreign direct investment in the apparel sector in certain countries. For example, the approval of Lesotho's apparel visa system has led to the opening of eleven new factories and the expansion of eight existing ones. Manufacturing employment in

Lesotho now exceeds government employment for the first time, primarily as a result of increased apparel production under AGOA. For these and other countries, AGOA is helping to stimulate and diversify development outside traditional commodity sectors, which are vulnerable to the fluctuations of the world market.

The current political unrest in Madagascar following the December 2001 presidential elections has interrupted the success of that country's apparel sector, which increased exports to the U.S. by 700 percent between 1998 and 2001. Even if Madagascar resolves the political impasse quickly, 2002 will almost certainly see a drop in its clothing exports to the United States. It is an unfortunate reality that some investors view Africa, and the risks associated with investing in some African countries, with a certain amount of trepidation. Countries will have to pursue economic and political reforms to create the stable and positive investment climate that potential investors seek.

#### U.S. Direct Investment in Africa

Sub-Saharan Africa continues to trail other developing regions in attracting foreign direct investment (FDI). The region accounted for less than 1 percent of worldwide FDI inflows in 2000, and just 3 percent of inflows to developing countries. According to the United Nations World Investment Report of 2001, FDI inflows to the region totaled \$6.9 billion in 2000, down from \$8.3 billion in 1999. The overall decline was caused by sharp drops in flows to Angola and South Africa.

- Angola's oil industry experienced a pause in the dynamic growth of previous years, while mergers and acquisitions were less active in South Africa.
- Despite the decline, Angola was the leading FDI recipient in sub-Saharan Africa in 2000, with inflows of \$1.8 billion. Nigeria and South Africa followed with \$1 billion and \$877 million, respectively.

The United States was the leading supplier of FDI to Africa, with total flows of \$7.6 billion in the period 1994-98 (latest available). France and the United Kingdom ranked second and third, each with flows of \$2.5 billion.

At year-end 2000, the U.S. direct investment position<sup>6</sup> in sub-Saharan Africa was \$9.3 billion, marginally lower than the position at year-end 1999, as a modest increase in Angola was offset by slight declines in South Africa and Nigeria. U.S. direct investment in the region is highly concentrated in those three countries.

- South Africa (\$2.83 billion), Angola (\$1.32 billion), and Nigeria (\$1.28 billion) combined

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<sup>6</sup> The U.S. direct investment position is the net book value (i.e., the historical value) of U.S. direct investors' equity in, and net outstanding loans to, their foreign affiliates. A foreign affiliate is a foreign business enterprise in which a single U.S. investor owns at least 10 percent of the voting securities, or the equivalent.

to account for 58 percent of the U.S. direct investment position in sub-Saharan Africa.

- The U.S. position in Nigeria and Angola is heavily concentrated in the petroleum sector, while in South Africa it is largely in manufacturing.
- Sub-Saharan Africa accounts for less than one percent of the U.S. direct investment position worldwide.

#### **D. Economic Reform**

The economic reform record across sub-Saharan Africa is decidedly mixed, as is to be expected from a diverse collection of 48 countries across several distinct climates and at different levels of development. A handful of less-developed sub-Saharan African countries have been very successful in sustaining market-led reforms that have created the conditions for growth. Economies in a number of other countries have been virtually destroyed by conflict, poor governance, and bad policy choices. Overall, there has been some important progress around the region. In some part, this has been driven by the requirements of the Heavily Indebted Poor Countries Initiative to reduce debts, although a number of important countries failed to meet expectations. Regional economic integration efforts, engagement with the IMF and World Bank, and AGOA have been positive forces in encouraging countries to lower tariff barriers and institute more market-oriented fiscal and monetary policies.

Many countries are actively working to create an environment for increased trade and investment. Privatization efforts are ongoing in the majority of countries with the extent and pace of privatization varying widely. Sectors being fully or partially privatized include telecommunications, energy, transportation, and mining. A large number of sub-Saharan African countries have created agencies to promote and facilitate foreign investment. At least sixteen countries have stock exchanges, with South Africa's being the largest and most active.

The International Financial Institutions (IFIs) have been catalysts for change across the continent. The majority of sub-Saharan African countries now work closely with the IMF. These programs tend to focus on sound fiscal management, establishment of credible monetary policy in those countries not part of regional currency systems, rationalization of tariff and non-tariff barriers, and privatization of state-owned enterprises as a means of improving efficiency and reducing the burden on state resources.

In addition, there is a growing recognition on the part of African governments that systemic structural reforms are needed to spur economic growth. Increased focus on the rule of law, improved transparency and governance, a better environment for private enterprise, and decreased tolerance for corruption at all levels play an important role in creating the kind of business climate that encourages both foreign and domestic investment. The IMF and World

Bank, along with the African Development Bank and bilateral donors (including the United States), have provided resources and technical assistance across Africa in an effort to encourage, directly and indirectly, the development of anti-corruption bodies, transparency in government accounting and contracting, and more predictable, fair, and independent legal systems.

Significant progress has been made on debt reduction under the Heavily Indebted Poor Countries (HIPC) initiative (see separate section). The United States has played a key role in designing and implementing the HIPC initiative thus far, and will continue to play an important role in monitoring and advocating country compliance with the HIPC program's economic reform and poverty reduction requirements. Through U.S. Embassies and in high-level discussions with both beneficiaries and other donors, the United States will continue to promote growth-oriented economic reforms. Tracking public expenditures to ensure that resources freed through debt reduction are applied effectively to poverty alleviation programs continues to be a top priority of HIPC and related programs.

The U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum created by AGOA serves as a vehicle to enhance U.S. engagement with sub-Saharan Africa countries on policy and strategies to achieve economic growth, implement reform, and deepen U.S.-Africa economic relations. The Forum also provides a venue to consult with AGOA-eligible countries on AGOA implementation and mechanisms to facilitate Africa's integration into the global economy.

While progress has been made, important challenges still face many African countries. Corruption and non-transparent policies (especially in government procurement), weak institutions, poor infrastructure, low levels of education and public health, a worsening HIV/AIDS pandemic, high tariffs, inadequate protection of intellectual property rights, cumbersome customs procedures, and inadequate legal systems continue to hinder economic development in many countries. The United States will continue to support African country efforts to address these policy challenges.

#### **E. Reforms Undertaken by AGOA Beneficiary Countries**

The U.S. government consulted closely with African governments in the development and implementation of AGOA. Discussions over the past few years encouraged many African countries to introduce significant reforms in their policies and practices, so that they might meet AGOA eligibility requirements. As described below, the AGOA eligibility designation process also involved a dialogue between the United States and potential AGOA beneficiary countries. As part of this process, the United States identified areas of concern and worked with countries to identify means to address these concerns, including the provision of technical assistance. In a number of cases, sub-Saharan African governments implemented reforms or made specific commitments. In other cases, governments were already undertaking important reforms, which were considered in determining which countries to recommend for designation. Human resource and other capacity constraints continue to impede some governments' ability to implement



reforms, but progress is being made in many countries.

Reforms being undertaken vary across a wide spectrum. Countries have implemented measures to liberalize trade, strengthen market-based economic systems, privatize parastatals, and deregulate their economies. These changes have resulted in improved market access for U.S. products and services while at the same time increasing the competitiveness and efficiency of African economies. African governments have implemented political reforms including measures to improve transparency and governance, to strengthen the rule of law, and to combat corruption. Improvements in protection of workers' rights and in efforts to combat the worst forms of child labor have also been undertaken. In a number of cases, countries have sought U.S. technical assistance in implementing reforms. Washington agencies have encouraged countries to work with USAID to obtain such assistance and are trying to identify other means for providing such assistance. The Department of Labor has offered assistance on protection of worker rights and elimination of the worst forms of child labor to a number of countries.

In a number of African countries joint public and private sector AGOA implementation committees have strengthened cooperation in trade, investment, and economic planning. Additionally, many countries have begun to reform their customs regimes, a prerequisite for trade expansion, to meet AGOA's apparel eligibility requirements. Specific information regarding reforms undertaken by AGOA beneficiary countries can be found in Chapter IX. The following are some examples of reforms and commitments undertaken during the AGOA review process or underway when the AGOA review process occurred in:

#### **Economic and Political Reforms**

- Benin has implemented new customs procedures to reduce corruption.
- Botswana passed new laws protecting intellectual property rights in 2001.
- The Central African Republic is in the process of adopting a new investment code designed to be more open to foreign investment and bring the country's trade and investment policies more in line with other countries in the region.
- Cameroon has committed to cooperating with Transparency International (TI) to address corruption and judicial reform.
- Djibouti has passed legislation strengthening intellectual property rights protections.
- Eritrea has begun the process of implementing reforms related to AGOA, including the introduction of a harmonized tariff system and promulgation of a commercial code.
- Ethiopia has slashed tariff rates and eliminated almost all export taxes.
- Guinea committed to instituting a Consultative Council to oversee judicial matters and to improve legal training. It has also asked the World Bank for assistance in reforming the legal and judiciary system. An Arbitration Office was established to mediate commercial disputes. Guinea's efforts to eliminate corruption include: 1) adopting a legal framework with reinforced anti-corruption provisions; and 2) creating a committee to enforce anti-corruption measures.

- Kenya has initiated a process to reform its intellectual property laws. It has also begun consultations with USDA to address market access problems.
- Mali has begun to reform its judiciary and to revise commercial laws related.
- Mozambique has deregulated all prices except for fuel.
- Nigeria established an Anti-Corruption Commission in the fall of 2000.
- Tanzania has made a commitment to: 1) reform and streamline the Tanzania Revenue Authority; 2) improve port facilities; and 3) privatize the most important port activities. It passed three laws protecting property rights in 1999.
- Many countries have begun to reform their customs regimes, a prerequisite for trade expansion, to meet AGOA's apparel eligibility requirements.

#### **Workers' Rights, Elimination of Child Labor, and Human Rights**

- Several countries have ratified ILO Convention 182 on the worst forms of child labor including Angola, Benin, Botswana, Burkina Faso, Cape Verde, the Central African Republic, Chad, Côte d'Ivoire, Equatorial Guinea, Gabon, Ghana, Kenya, Lesotho, Mali, Malawi, Mauritius, Niger, Rwanda, Senegal, Tanzania, and Zambia.
- Cameroon has agreed to work with the ILO on a Department of Labor-funded program that will focus on the rights of workers and labor unions. Cameroon is also participating in a regional program with the ILO to combat trafficking of children. The government has promised to investigate allegations of extrajudicial killings in Douala and to punish security service members determined to be guilty of abuses. Cameroon ratified ILO Convention 138 in 2001.
- Chad established an organization to serve as a watchdog against human rights abuses and has made some changes in its labor laws.
- The Republic of Congo has created a human rights directorate at the Ministry of Justice.
- Benin and Gabon are participating in a regional program with the ILO to combat trafficking of children.
- Malawi is working with the ILO on eradication of child labor and on amending its labor laws to protect workers' right to strike. Malawi is also participating in an ILO regional project to address child labor in commercial agriculture.
- Nigeria concluded an agreement with the ILO to obtain its assistance in helping the government to prevent the worst forms of child labor. Nigeria is also participating in a regional ILO/IPEC project to combat trafficking of children.
- Sierra Leone is working to ensure the release of children from military service and is pressuring the leaders of its civil defense forces to take such action. The government has requested ILO assistance on this issue.
- Swaziland implemented a new Industrial Relations Law that conforms with international standards for worker rights. Swaziland also increased public spending on health, education, and rural poverty.
- Uganda is working on legislation to put Uganda in compliance with ILO standards on child labor, collective bargaining and forced labor. It is also working on a national action plan on

child labor which will be incorporated into its poverty eradication action plan. Uganda passed a workers' compensation act and is having a number of laws and decrees related to trade unions, arbitration, occupational safety and health, and disputes reviewed by a team of consultants.

#### **F. Regional Economic Integration**

The United States has encouraged and supported regional economic integration efforts in sub-Saharan Africa as a means of stimulating economic growth by improving economies of scale and reducing transaction costs for the region as well as for international businesses. A first stage in this effort must be a substantial expansion of trade among African nations. The United States has worked to facilitate and promote regional economic integration through the African Trade and Investment Policy (ATIP) program and technical assistance to organizations such as the Economic Community of West African States (ECOWAS), the West African Economic and Monetary Union (WAEMU), the Southern African Development Community (SADC), the East African Community (EAC), the Intergovernmental Authority on Development (IGAD), the Common Market for Eastern and Southern Africa (COMESA), and the Central African Economic and Monetary Union (CEMAC).

In order to encourage regional economic integration and to strengthen trade and investment relations with the region, the Office of the USTR recently negotiated and concluded regional Trade and Investment Framework Agreements with COMESA (signed October 2001) and WAEMU (signed April 2002). The Department of State coordinates a regular dialogue with SADC through the U.S.-SADC Forum and works extensively with the other regional organizations. USAID, USTR, State, Treasury, Agriculture, and Commerce will host a technical conference in June with representatives from WAEMU and the Economic Community of West African States (ECOWAS), in support of regional integration in West Africa. The Administration's trade and investment policy focuses attention on technical assistance as a means of strengthening trade capacity in sub-Saharan Africa.

AGOA also promotes regional economic cooperation and trade between the countries of sub-Saharan Africa by allowing cumulation among AGOA beneficiary countries, i.e. AGOA beneficiaries may include inputs from other AGOA beneficiaries in meeting the GSP's 35 percent value-added rule of origin requirement. Beneficiary countries may also use yarn and fabric obtained in the region in apparel that qualifies to enter the United States duty-free and quota-free.

Economic integration in Africa has not proceeded as rapidly as some had hoped, but continues on a number of fronts. Factors hindering progress include: the lack of adequate transportation and communication infrastructure; varying levels of development, policy orientations, and political priorities; and overlapping and sometimes conflicting regional entities with relatively little cooperation between them. The status of integration efforts by various regional organizations as

well as additional information on U.S. support for their efforts is detailed below.

COMESA: The Common Market for Eastern and Southern Africa (COMESA), whose membership overlaps considerably with SADC, has always focused more heavily than SADC on trade liberalization, and its efforts in that area have been far-reaching and effective. On October 31, 2000, nine of the twenty COMESA member countries ratified the Free Trade Area, bringing the tariffs to zero among those members (others are expected to join when they are able). This was an important step toward the customs union planned for 2004. In addition to eliminating tariffs on much intra-regional trade, COMESA has had considerable success in simplifying rules of origin and establishing a single customs structure. COMESA also aims for further cooperation in customs management and the harmonization of trade documents and procedures. COMESA has seen intra-regional trade grow over the past decade, although it still lags some other regional economic organizations in Africa.

The United States has provided a variety of assistance to COMESA's integration efforts, including: technical assistance on trade and the WTO; identification of barriers to investment and development of regional solutions; private sector capacity building; telecommunications harmonization; facilitation of cooperation with SADC; and study of rules of origin as related to the WTO, World Customs Organization, SADC and other organizations. In October 2001, the United States Trade Representative signed a TIFA with COMESA. This agreement was the first such Agreement between the United States and a regional organization in sub-Saharan Africa. By establishing a formal mechanism for regular consultation on trade and investment matters, this Agreement will help to expand and improve an already vital and growing bilateral commercial partnership. The TIFA with COMESA is helping to advance the common goal of expanded trade and investment and to address trade disputes in a timely manner.

EAC: The East African Cooperation (EAC), a successor to the former East African Community that sought to link Kenya, Uganda, and Tanzania in an economic union, came into being in July of 2000. Technical and non-trade issues, including harmonization of labor standards and promotion of labor mobility through a common passport, have taken priority for the time being over trade integration objectives, which will be the subject of future negotiations. The Treasury Department, in a program funded by ATRIP, is providing technical assistance to the EAC on harmonization of securities laws and has placed an advisor in Uganda to work on debt management issues, including cross-border securities trade, with the EAC.

ECOWAS: The Economic Community of West African States (ECOWAS), which has had an active political role in the region, has seen little if any progress toward integration of markets since its inception in 1975. However, a new office on regional integration has been established at the Secretariat and a strategy has been adopted to accelerate the integration process by creating a single regional market based on trade liberalization, common external tariffs, and harmonized economic and financial policies. There are also plans for harmonizing ECOWAS policies with those of the West African Economic and Monetary Union (WAEMU).

The United States has supported integration in the ECOWAS region through a number of means, including technical assistance to the West African power pool and the West Africa gas pipeline project (see section on Energy Infrastructure Development). The United States has also provided technical assistance to the ECOWAS fund, providing, for example, seminars on public-private partnerships and the World Trade Organization.

In support of ECOWAS's regional integration efforts, the regional USAID mission in Bamako, Mali consults with ECOWAS and has undertaken a study to assist WAEMU and ECOWAS develop a common external tariff. In FY 2002, USAID will continue working with the ECOWAS Secretariat to develop general trade expertise and policy development capacity. The effort will focus on enhancing interregional trade through the expansion of the common external tariff (CET) that was initiated by the eight-country West Africa Economic and Monetary Union (WAEMU) in 2000. Working groups composed of decision makers and implementers from the relevant national ministries will work along side the ECOWAS Secretariat to implement the expansion of the Common External Tariff (CET) and examine the relevant trade policy issues. Information will also be sought from region-wide private sector forums and networks.

The Commercial Law Development Program (CLDP) of the Department of Commerce is working with ECOWAS on a variety of legal matters including the integration of commercial codes in conjunction with the African Development Bank and the OHADA institutions.

SADC: The Southern African Development Community (SADC) launched its Free Trade Area (FTA) on September 1, 2000. By August 2001, all 11 of the signatories to the Free Trade Protocol had ratified the agreement and submitted their instruments of implementation indicating their readiness to offer the tariff reductions. The FTA will be phased in over a lengthy period, with free trade within SADC on all goods by 2012. SADC negotiators are continuing to work on remaining unresolved issues critical to the FTA's success. The lack of clarity and coordination with respect to trade policies in organizations with overlapping membership, such as COMESA, EAC and the Southern African Customs Union (SACU), has challenged the integration process.

The U.S.-SADC Forum provides a mechanism for regular consultation between the United States and SADC. Under initiatives agreed to at the Forum, the United States Government has supported SADC regional integration, including technical assistance to the Secretariat and SADC member states on implementation of the SADC Free Trade Area and regional capacity building on trade policy issues, including agricultural sanitary and phyto-sanitary issues. In early 2002, USTR announced a multi-year, \$8.7 million trade capacity building initiative which will provide assistance to SADC in three areas: enhancing access to AGOA benefits; improving intra-regional and global trade competitiveness, and helping SADC agricultural producers meet global food safety standards.

USAID's Regional Center for Southern Africa continues to support SADC. During the past year, efforts have focused on strengthening the region's ability to trade with the United States under AGOA and on ways of using AGOA to encourage customs reforms necessary to implement the

SADC Protocol.

**WAEMU:** The West African Economic and Monetary Union (WAEMU), shares a common language (except for Guinea Bissau), a common French-backed currency and similar administrative and regulatory traditions, and has made significant progress in its regional economic integration efforts. In January 2000, WAEMU's common external tariff took effect, with rates not to exceed 22 percent, although adherence to the tariff structure is not uniform throughout the region. WAEMU has also established a common accounting system, periodic review of member states' macroeconomic policies based on convergence criteria, a regional stock exchange, and the legal and regulatory framework for a regional banking system. Nevertheless, intra-regional trade does not appear to have greatly expanded. The investment environment in some WAEMU countries remains difficult and investors cite the lack of predictable rule of law and current employment laws as impediments.

The Treasury Department has provided a resident advisor at the regional Central Bank (BCEAO) since 1999, working with the Bank and member country finance ministries on problems of debt issuance, debt management, and creation of a region-wide debt securities market for the eight WAEMU member countries. Treasury also is providing technical assistance in budgeting to the Government of Senegal.

The USTR and other U.S. Government agencies will host a technical and policy symposium in Washington for WAEMU commissioners and member country trade and finance ministers in June 2002. The symposium will include technical assistance and consultations on policy reforms and initiatives to realize WAEMU's goal of full economic integration, and measures to promote trade and investment between the U.S. and WAEMU countries. USTR also concluded a regional TIFA with WAEMU in April 2002, establishing a new U.S.-WAEMU Council on Trade and Investment. The TIFA is already helping to strengthen trade and investment relations between the United States and WAEMU.

#### **G. Africa's Integration into the Global Trading System**

Supporting Africa's integration into the global economy is one of the pillars of the Bush Administration's Africa trade policy of free markets, expanded trade, and economic growth. The Administration will aim to strengthen its work with African countries through technical assistance and trade capacity building. The goal of these efforts will be to strengthen the capacity of African countries to participate more fully in the WTO and to enhance U.S.-African cooperation in the multilateral trading system.

The United States has welcomed and encouraged increased participation by sub-Saharan African countries in the WTO and multilateral trade discussions. Africa made fewer commitments during the Uruguay Round than any other region and, as a result, African countries in general have higher tariffs and fewer market access commitments (especially in the services sector) than

countries in other regions. For example, only one African country is a signatory to the

Information Technology Agreement. This has impeded African countries' ability to attract investment and to increase trade, competitiveness, and economic growth.

During the past few years, African countries have become more active in WTO discussions and in other multilateral discussions of trade and economics. Thirty-eight sub-Saharan African countries are WTO members, representing 26 percent of all WTO membership. Five other sub-Saharan African countries have observer status.

As part of the WTO's Built-in Agenda, WTO Members tabled proposals on agriculture and services. Of the almost fifty proposals submitted on agriculture, African countries authored or co-authored about one-third. African countries also participated in the Services Negotiations that have been held in Geneva. The launch of new WTO negotiations at Doha last year was also a turning point. Cooperation and coordination with sub-Saharan African governments played a key role in the success of the Doha Ministerial.

AGOA has helped to promote sub-Saharan Africa's integration into the multilateral trading system and has increased support for new global trade negotiations. Between June and November, U.S. Trade Representative Robert Zoellick consulted directly with many sub-Saharan African Trade Ministers and Heads of State to discuss WTO and other matters. Ambassador Zoellick also co-hosted a WTO Roundtable for Trade Ministers at the October 2001 U.S. Sub-Saharan Africa Trade and Economic Cooperation Forum and led a similar discussion in Doha.

**Sub-Saharan Africa  
WTO Members**

Angola	Mauritania
Benin	Mauritius
Botswana	Mozambique
Burkina Faso	Namibia
Burundi	Niger
Cameroon	Nigeria
Central African Republic	Rwanda
Chad	Senegal
Dem. Rep. of the Congo	Sierra Leone
Rep. of Congo	South Africa
Côte d'Ivoire	Swaziland
Djibouti	Tanzania
Gabon	Togo
The Gambia	Uganda
Ghana	Zambia
Guinea	Zimbabwe
Guinea-Bissau	<b>Observers</b>
Kenya	Cape Verde
Lesotho	Ethiopia
Madagascar	Sao Tome & Principe
Malawi	Seychelles
Mali	Sudan

USTR, USAID, and the Departments of State, Treasury, and Agriculture, as well as other agencies, have provided technical assistance to African governments to increase their capacity to deal with issues related to the WTO. In addition, USTR, State, Agriculture, and others have enhanced their dialogue with sub-Saharan African countries on WTO issues.

USAID's regional program in West Africa (WARP) completed a seminar series that targeted public officials and private sector operators throughout the region. The course aimed at increasing the level of understanding of trade, globalization, and the WTO, with special reference to the rules-based WTO's organization, structure, and commitments. One seminar, designed for government policy makers focused on Commitments under the WTO, including Trade-Related

Aspects of Intellectual Property Rights (TRIPS), Trade Related Investment Measures (TRIMs), and the General Agreement on Trade in Services (GATS). Another seminar focused on Transportation in Global and Regional Trade and included both public and private sector participants. The third seminar, designed for private sector participants, presented a cross section of topics related to the WTO and Globalization. Additional seminars will be completed this year. They will aim at increasing the capacity of private sector and civil society to understanding the implications of supporting appropriate policy choices in the area of trade.

The Bush Administration recognizes the need for trade-related capacity building and technical assistance to ensure that all WTO Members can participate effectively in negotiations and other activities agreed to at Doha. The United States has contributed \$1 million to the Doha Development Agenda Trust Fund to provide technical assistance to support trade-related capacity building efforts in developing countries. In addition, the United States has provided more than a million dollars to the WTO, through the ATRIP program, for Africa-specific programs, including seminars on WTO awareness and scholarships for sub-Saharan African trade officials to study WTO issues in Geneva. (See Section V for more information on U.S. training and trade capacity building programs that support WTO agreements and activities.)

Although many countries in Africa have made advances in agricultural trade liberalization, there is significant room for improvement. The Administration is working with sub-Saharan Africa, both bilaterally and multilaterally, to help promote the market access necessary for trade expansion. The Administration is working with African countries on market access for agriculture in the WTO. The Administration will continue to encourage increased liberalization through tariff reductions, elimination of non-tariff barriers, and development of market-oriented trade policies. The Administration will continue a broad array of initiatives designed to help African countries to better appreciate that protectionism results in significantly higher prices for African consumers while eliminating the incentives for innovation and greater efficiency among domestic producers.

#### **H. Debt Relief and the Heavily Indebted Poor Country Initiative**

Since last year's report, African countries have continued to qualify for debt reduction under the enhanced Heavily Indebted Poor Country (HIPC) initiative. Currently, 26 countries, including 22 in sub-Saharan Africa, have reached their HIPC decision points, qualifying them to receive HIPC. The African beneficiaries are Benin, Burkina Faso, Cameroon, Chad, Ethiopia, The Gambia, Ghana, Guinea, Guinea-Bissau, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Tanzania, Uganda, and Zambia. Total nominal debt reduction under the HIPC initiative for these 22 countries will amount to more than \$31 billion. When combined with earlier debt relief initiatives, this action will reduce the debt of these countries on average by about two-thirds. Additional sub-Saharan countries may become eligible for enhanced HIPC treatment at a later time. Uganda, Mozambique, and Burkina Faso have reached their HIPC completion points and received final stock of debt reduction.



Debt reduction by the U.S. Government, covering 100 percent of the obligations owed by these countries to the United States, will total nearly \$500 million; the U.S. government also is helping to finance the cost of reducing the debts owed by African HIPC's to the African Development Bank.

Sustained performance under the HIPC framework by beneficiary countries should result in stronger growth, better fiscal management, improved climates for private investment, better records on corruption/governance, and a commitment to rising levels of investment in health and education.

#### **I. International Financing including FDI and Capital Flows**

Sub-Saharan Africa continues to lag behind the rest of the world in attracting Foreign Direct Investment (FDI). Only about 3 percent of total investment flows go to sub-Saharan Africa, and the great majority of that is concentrated in the extractive industries, mostly oil, in a few countries.<sup>7</sup> The small size of the markets in sub-Saharan Africa has contributed to the low level of investment. The average sub-Saharan African country's GDP is less than \$3 billion, the equivalent of a U.S. city with a population of 100,000. In addition, the investment climate has been rendered less attractive in parts of the region by physical insecurity, poor economic policies, dilapidated infrastructure, weak human capital, dysfunctional legal and judicial institutions, protectionist trade regimes, and corruption.

Global FDI appeared to jump sharply in 2001, nearly doubling from \$6.9 billion in 2000 to \$13.7 billion in 2001. But almost all of the increase was attributable to South Africa and primarily reflected the financial restructuring of an international firm. Excluding this restructuring, the figures show a decline from \$6.6 billion in 2000 to \$6.2 billion in 2001. Roughly 60 percent of this amount went to oil exporters, the largest recipient being Angola, which accounted for 30 percent.

Portfolio equity flows and grants to sub-Saharan Africa also declined between 2000 and 2001. Portfolio equity flows dropped from \$0.9 billion to \$0.7 billion and grants fell from \$10.3 billion to \$9.9 billion during this period.

Official aid flows remained the main source of foreign resource inflows to sub-Saharan Africa in 2001. The World Bank reports that global flows of official development assistance (ODA) declined in 2001, with Africa experiencing a proportional reduction, though precise figures are not yet available.

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<sup>7</sup> World Bank Global Development Finance, 2002

Average investment rates in African countries are only about 20 percent of GDP, compared to above 25 percent in low- and middle-income countries as a group. Higher investment rates will be necessary for achieving sustainable long-term reduction in unemployment and poverty.

## **V. Trade Capacity Building**

The Administration places a high priority on trade capacity building programs and considers them an essential part of U.S. trade and investment policy toward sub-Saharan Africa. The objective of these programs is to assist sub-Saharan African countries to 1) implement trade-related economic reforms, 2) address regulatory, informational, and procedural obstacles to increased trade, and 3) participate more fully and effectively in international and multilateral trade negotiations. African countries often cite capacity problems, including the lack of human and financial resources, as a major impediment to economic and political reform and to meeting WTO obligations.

Under AGOA, Congress directed the President to target technical assistance toward a number of objectives, including promoting U.S.-African business linkages, and supporting the efforts of sub-Saharan African countries to liberalize trade, promote exports, bring their legal regimes into compliance with WTO standards, make financial and fiscal reforms, address key agricultural issues, and encourage greater sub-Saharan African participation and commitments in the WTO. The Administration has responded with a wide range of technical assistance and trade capacity building programs. For example, during his February 2002 visit to Africa, U.S. Trade Representative Zoellick announced \$3.5 million in new grants designed to help countries in eastern and southern Africa take full advantage of AGOA. From 1999 to 2001, the United States has provided \$192 million in overall trade capacity building assistance to sub-Saharan Africa.

### **A. USTR Activities**

USTR is actively involved in the planning and coordination of U.S.-sponsored trade capacity building programs in sub-Saharan Africa. USTR developed the concept for the successful series of AGOA seminars that have been held in Africa over the past two years and led the interagency delegations that conducted the seminars. The purpose of these seminars is to assist AGOA-eligible countries to establish the necessary building-blocks and comprehensive strategies for maximizing benefits under AGOA. In the past year, regional AGOA seminars were held in Cameroon and Uganda and single-country workshops in Ghana, Kenya, Rwanda, and Ethiopia.

The regional AGOA seminars held in Yaounde, Cameroon and Kampala, Uganda in March 2002 were especially productive. These two events, jointly sponsored by USTR and the U.S. Department of Commerce's Commercial Law Development Program (CLDP), were carried out with funds provided under the African Trade and Investment Policy program (ATRIP), (see section below). The seminars focused on strengthening the capacity of central and eastern African

countries to maximize benefits available under AGOA and enhancing reform initiatives aimed at expanding trade and investment. The conferences augmented government and private sector capacity to address key economic reforms that will enhance the ability of countries to benefit from AGOA. The delegation of presenters included officials from USTR, the Department of Agriculture, the U.S. Trade and Development Agency, the Export-Import Bank, the Corporate Council on Africa, the Constituency for Africa, the African Development Bank, the African Coalition for Trade, the Mauritius Free Port Development Company, and members from the largest U.S. association of importers and retailers of textile products. More than 300 private sector executives and high-level officials from several Central African countries attended the seminar in Cameroon. Over 700 delegates from 15 eastern and southern African countries attended the seminar in Uganda, in which Ugandan President Yoweri Museveni actively participated.

USTR also secured approximately \$1 million in funding under the ATRIP program for two projects involving WTO training for officials from sub-Saharan African countries. Under these projects, the WTO will 1) conduct seminars and trade policy training courses on a number of WTO-related topics, including dispute settlement, 2) develop computer-based training modules on WTO Agreements, and 3) fund scholarships for 30 sub-Saharan Africans from WTO-member countries to participate in trade policy courses at the WTO in Geneva. (See the ATRIP Section below for information on other WTO-related trade capacity building activities.)

#### **B. The Africa Trade and Investment Policy (ATRIP) Program**

One of the main vehicles for U.S. trade capacity building efforts in Africa has been USAID's Africa Trade and Investment Policy (ATRIP) program. USAID began implementation of the ATRIP program in 1998 as a multi-year initiative to promote trade and investment policy reforms and facilitate business linkages between the U.S. and African private sectors. ATRIP funding ended in fiscal year 2001, though many of the projects funded under the program will continue into 2003. ATRIP supported projects that were aimed at either providing technical support for policy reform or supporting business networking on the continent. Between 1998 and 2001, the interagency ATRIP program funded 115 projects in 31 sub-Saharan African countries, totaling \$75 million. The following are examples of ATRIP programs in 2001-2002:

- ATRIP is supporting a program to improve the openness of key African markets to U.S.-African trade and investment by: 1) helping African policy makers at both the regional and national level to better understand the most important constraints to U.S.-African trade and investment; and 2) helping African business associations improve their ability to advocate for the key policy and procedure reforms needed to achieve improved openness. The program aims to support AGOA by stimulating and supporting enhancement of policy reforms and facilitating effective utilization of the trade opportunities offered under AGOA.

- Using ATRIP funds, USAID is again sponsoring a series of WTO awareness seminars to increase understanding of WTO Agreements, commitments, and benefits. During this past year, seminars were held in Namibia, Zambia, Ghana, Mozambique, Benin, Senegal, and for ECOWAS. These seminars are aimed at reaching a wide range of African trade officials as well as private sector leaders and academics.
- ATRIP has funded a series of seminars with sub-Saharan African businesses and government officials in key AGOA beneficiary countries to assist the companies in developing quality manufacturing, standardized record keeping systems, and sustainable working relationships with buyers in the global market.
- In Mali, ATRIP is funding a project that aims to expand markets and increase value for traditional specialty crops from West Africa. Key African partners are selected from government agriculture extension services and NGOs, local farmer groups, trade association, and their counterparts in Burkina Faso and Niger. As a direct result of this project and related efforts, sesame production has increased four-fold since 1998 to approximately 2,000 MT in 2000.
- The Corporate Council on Africa received a second grant to continue its ATRIP-funded West Africa International Business Linkages (WAIBL) program. WAIBL aims to facilitate business linkages between the United States and West Africa and to serve as a practical vehicle for U.S. and African companies seeking to conduct trade transactions through the provisions in AGOA.
- In conjunction with the Small Business Administration's Export Trade Assistant Partnership program, the U.S.-based Constituency for Africa is using ATRIP funds to increase the involvement of small and medium-sized U.S. businesses in trade and investment activity with African countries.

### C. USAID Initiatives

In 2002, USAID will inaugurate a new, multi-year trade capacity building initiative, entitled Trade for African Development and Enterprise (TRADE). TRADE will promote global trade integration and regional cooperation by strengthening the ability of African countries and businesses to develop their export trade. Three regional Hubs for Global Competitiveness will provide the overall coordination of the initiative. The first Hub will be located in Botswana. Others are planned for Kenya and either Mali or Ghana. Each Hub will have a cadre of technical experts who will provide technical support on trade and investment for countries in the regions, work actively to ensure that benefits of AGOA are extended to all eligible countries, and design a trade capacity-building strategy.

Resources flowing through TRADE will promote U.S.-African business linkages; enhance the competitiveness of African products and services; expand the role that trade can play in African

poverty reduction strategies; improve the delivery of public services supporting trade; build African capacity for trade policy formulation and implementation; and strengthen the enabling environment for African businesses.

The USAID Leland Initiative and the Federal Communications Commission (FCC) are collaborating on a telecommunications policy strengthening program. The program strengthens associations of African regulators; uses experts from the FCC and state level regulatory bodies to help U.S. and African university programs on effective regulation; and provides technical assistance to regulators, in more than twenty countries.

USAID is also supporting the Integrated Framework for Trade-Related Technical Assistance (IF) in sub-Saharan Africa in a variety of ways, including by contributing to the IF Trust Fund, by partnering with the World Bank to carry out IF diagnostic work in Mali, and by assisting Mozambique to mainstream trade into its broader development agenda.

The Global Technology Network (GTN), funded by USAID and the State Department, works in Africa to increase private sector linkages between African and American firms. GTN-Africa also links companies on a regional level. From April 2001 to April 2002, GTN facilitated over thirty deals, a record number, including a deal valued at over \$50 million. GTN offers a valuable service to U.S. companies interested in trading with Africa. GTN also sponsors business development missions for African businesses, encouraging partnerships with U.S. firms.

USAID's field offices and regional centers in sub-Saharan Africa have integrated AGOA into their programs and are dedicating specific resources for providing continuing assistance to sub-Saharan African countries in developing AGOA strategies. Working closely with USTR, USDA, U.S. Customs Service, and U.S. Embassies in the region, USAID is providing assistance to sub-Saharan government agencies (customs, trade and industry departments) and private sector associations.

#### **D. U.S. Department of Commerce Commercial Law Development Program**

In addition to its partnership with USTR in conducting the AGOA regional seminars described above, CLDP is also conducting several other trade-related capacity building programs in sub-Saharan Africa, including the following:

West Africa: CLDP is in its third year of assisting West and Central Africa in promoting regional integration, economic growth and legal reliability through the harmonization and skilled implementation of commercial laws. CLDP's West Africa program focuses primarily on facilitating cooperation between regional organizations; strengthening transnational and trans-professional linkages among jurists, practitioners and businesspeople; promoting the development of alternative dispute resolution mechanisms; increasing intellectual property rights protection; and developing model commercial legislation and legal ethics standards.

Nigeria: CLDP has been tasked with providing technical assistance and training to the Government of Nigeria to support efforts to establish a legal framework for the private sector, improve investor confidence, open markets, and help build democratic institutions. Specific activities include support for five sectors: 1) intellectual property rights, 2) public procurement, 3) government ethics, 4) project finance, and 5) regulatory reform and administrative processes.

Angola: CLDP is assisting the Angolan government in improving the timely and equitable resolution of commercial disputes by introducing the Angolan legal community to modern case management techniques that ensure that litigated matters are handled promptly and fairly.

#### **E. U.S. Customs Service**

The U.S. Customs Service continues to provide technical training to government officials from beneficiary sub-Saharan African nations. U.S. Customs officers traveled to Ghana in May 2001, and Ethiopia, Rwanda, and Uganda in July 2001, to provide technical training on the establishment of an effective visa system and enforcement procedures to prevent unlawful transshipment. The training sessions discussed illegal textile transshipment prevention, U.S. Customs regulations, factory production verification visits; customs investigations, and trade data collection and reporting.

In May 2001, a representative of the Customs Service addressed an audience of African Ambassadors to the World Trade Organization in Geneva, Switzerland on enforcement of AGOA's apparel provisions.

#### **F. U.S. Department of Agriculture**

The United States Department of Agriculture (USDA) conducted a series of seminars for SADC, COMESA, and WAEMU on agricultural trade policy and sanitary and phytosanitary (SPS) issues. The project is helping African countries to build agricultural trade capacity and provides assistance on technical agricultural issues. USDA conducted three WTO training programs for African trade policy officials; three technical training seminars for African regulatory officials on pest risk assessment procedures; and is in the midst of sponsoring three public and private sector agricultural trade policy forums aimed at generating policy recommendations for improved SPS regional cooperation. USDA's series of seminars have helped to strengthen U.S.-African trade relations and to encourage cooperation and understanding on agricultural trade issues.

USDA will continue to work with African countries to ensure that plant, animal, and human health measures are based on sound science and minimize negative trade effects. USDA is discussing those areas where technical assistance and training in risk assessment, risk management, and risk communication could enhance food safety objectives and facilitate trade between Africa and the United States. Efforts to develop international plant, animal, and food safety standards complement ongoing activities in Africa undertaken by international

organizations, such as the WTO, FAO, and Codex Alimentarius.

## **VI. Technical Assistance and Other AGOA-Related Activities**

In March 2002, President Bush announced that the United States will create a separate development assistance account, the Millennium Challenge Account. This account will be funded by increases in the budget beginning in fiscal year 2004. The Millennium Fund Account is designed to rise up to \$5 billion per year starting in Fiscal year 2006, which represents a 50 percent increase over the approximate \$10 billion in existing U.S. development assistance. The Millennium Challenge Account is designed to help spur economic growth in developing nations that are demonstrating a commitment to rule justly, invest in their people, and promote economic freedom.

### **A. USAID Technical Assistance**

USAID is the primary agency within the U.S. Government involved in providing development assistance to sub-Saharan Africa. However, many other agencies also provide technical and capacity building assistance through use of their own resources or with funding from USAID. Additional assistance is provided by international financial institutions to which the United States is a major contributor.

USAID has field offices throughout sub-Saharan Africa. These offices operate 22 bilateral assistance programs and three regional programs. The regional programs – in East, Southern, and West Africa – work with regional organizations and are responsible for activities that are regional in nature. USAID's approach to development assistance is based on promoting comprehensive economic growth through support for economic and related institutional reforms, policy analyses, technical assistance and training. In addition, emergency relief is structured to help nations make the transition to sustainable development. USAID emphasizes a number of strategic objectives in its program for Africa, including agricultural development, health (including HIV/AIDS), basic education, and economic growth. Most of USAID's economic growth programs support activities that promote economic reform and private sector development. These programs help to create a supportive environment for trade and investment. Examples of USAID development assistance are included below and in other sections of this report, including the country summaries in Chapter IX.

In southern and eastern Africa, USAID is implementing the Southern Africa Regional Biosafety Policy Development project. This program focuses on the technical training necessary to develop and implement science-based biosafety regulations as required in international agreements such as the WTO Sanitary and Phytosanitary (SPS) and Codex Alimentarius Agreements as well as the Cartagena Protocol on Biosafety. This regional approach enables the program to support regional cooperation and harmonization of biosafety regulations, a goal of SADC.

USAID continues to assist the Southern Africa Enterprise Network (SAEN), a regional grouping of African entrepreneurs who are committed to private-sector led economic development and regional integration. SAEN brings together national networks in Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Zambia, and Zimbabwe. USAID's support helps to promote informal dialogue between the different groups under the banner "The SAEN Dialogue Project", which includes tracking relevant parliamentary debates, researching issues, holding discussion groups, and hosting a monthly radio program where non-political issues of importance to private-sector development can be openly discussed with other stakeholders.

USAID runs two global credit programs, designed to encourage the use of credit and expand financial services in underserved markets: the Development Credit Authority (DCA) and Micro and Small Enterprise Development (MSED) programs. In Africa, USAID has a long history of using credit to mobilize local capital to fund development activities. DCA which allows USAID missions to partner with private sources of capital to mobilize resources for investments that support country-specific development objectives, partially guarantees \$85 million in local lending in six activities. The MSED program, a series of credit enhancement activities, is currently active in Kenya, Ghana, Ethiopia, South Africa, and Senegal. For just over \$1 million, USAID mobilized \$10.5 million in micro and small enterprise lending to over 400 borrowers. Two additional projects are currently being planned, one in Rwanda and one in South Africa.

USAID/South Africa, which has the largest DCA portfolio in Africa, manages a number of projects. One of these projects is to buy distressed municipal debt and provide technical assistance to the municipality. This carefully managed program has helped create a lively market for buying municipal bonds and improving capacity in that sector. Another USAID/South Africa project concentrates on the revitalization of the City of Johannesburg by partially supporting loans to improve water and sanitation services and to increase middle-income housing stock in the urban center. USAID intervention is widely viewed as the catalyst for Johannesburg's recent revitalization. In another project, USAID/South Africa has provided a South African financial institution with a guarantee to provide loans and technical assistance to small and medium-sized contractors, thus facilitating job creation, housing construction, and capacity development.

The Education for Development and Democracy Initiative (EDDI) is an interagency presidential initiative composed of USAID, State Department, Peace Corps and other U.S. government agencies. It supports comprehensive education interventions that promote human capacity development leading to sustained economic strengthening. Launched in May 2001, EDDI's Economic Entrepreneurial Development Center contributes to private-sector-led economic growth in Africa by strengthening the skills of people already in business and providing training to other individuals, especially students, aspiring to enter the business world. The program is being implemented through a series of internships, institutional exchanges, workshops, and seminars for sub-Saharan Africans.



The Specialty Coffee Promotion in Eastern Africa project run by USAID aims at enhancing the market potential of high-grade specialty coffee in Ethiopia, Kenya, Rwanda, Uganda, Tanzania and Burundi, facilitating trade within the sector, and increasing returns to coffee producers. Working to strengthen the East African Fine Coffees Association (EAFCA) to make it a self-sustaining private sector entity, the project looks into ways of connecting producers with the specialty and gourmet coffee markets in Africa, North America and Europe. The project also has considered establishing an East African Specialty Coffee Exchange as a subsidiary of EAFCA, which would be responsible for setting standards and disseminating price and trade information in a transparent manner.

#### **B. Sustainable Development, the Environment, and Labor**

The Environmental Protection Agency (EPA), as well as other agencies such as the Department of Commerce and USAID, are implementing projects and initiatives to assist African countries in protecting the environment and promoting sustainable economic development. The EPA developed a strategy for sub-Saharan Africa in 1998 based on urban and industrial issues with a focus on urban environmental health, and is implementing activities under this strategy. Under one such activity, EPA has initiated a technical assistance and public outreach program with South Africa and is working with the World Bank in other regions of sub-Saharan Africa to assist in national plans to phase out lead in gasoline. In another activity, EPA is promoting sound management of pesticides and other chemicals. The project provides computers, Internet access and training to chemicals management officials and other stakeholders. The project has been completed in Mali, Nigeria, Tanzania and Côte d'Ivoire, and is being expanded to other countries in the region.

In addition, EPA is assisting South Africa to develop national and provincial environmental capacity. Activities include community-based solid waste management programs in target townships, support for community-based environmental organizations, training on environmental impact assessments and environmental management for the mining sector, and increased access to environmental information.

Other activities EPA is pursuing under its sub-Saharan Africa Strategy include its Microbiologically Safe Drinking Water Initiative, a web-based International Cleaner Production Cooperative, an African Climate Technologies Information program, and a study focused on the public health and other benefits of taking climate change actions in South Africa.

The National Oceanic and Atmospheric Administration (NOAA) of the Department of Commerce also has implemented a number of projects involving African countries, including:

- The GLOBE Program ([www.globe.gov](http://www.globe.gov)) is a school-based international science and education program. Students at GLOBE schools, including 15 in sub-Saharan Africa, take a core set of environmental measurements that have been selected by the world science

community as providing useful data for their research.

- Global Climate Change: NOAA also has conducted scientific exchanges with various organizations in sub-Saharan Africa to advance marine research
- African Process for the Development and Protection of the Coastal and Marine Environment with Côte d'Ivoire, Ghana, Kenya, Mozambique, Nigeria, Seychelles, and South Africa: This program assists sub-Saharan African countries in achieving sustainable management of their coastal and marine environmental resources.
- Cooperative Air Sampling Network with Namibia and the Seychelles: The network is an international effort which includes regular discrete samples from the four NOAA Climate Modeling and Diagnostics Laboratory baseline observatories, cooperative fixed sites, and commercial ships.
- World Area Forecast System with Niger and South Africa: This program has installed meteorological workstation and communications systems in Niger and South Africa.
- African Center of Meteorological Applications for Development : This program helps improve early warning capability and the development of better applications for use in agricultural production, food security issues, water resources management, and public health and safety.

#### Labor

The Department of Labor (DOL) implements or funds implementation of a number of programs aimed at assisting sub-Saharan African countries with labor-related issues including industrial relations, as well as programs to help governments combat child labor including the worst forms of child labor. Since 1995, DOL has contributed a total of \$239 million for projects in developing countries. DOL provides funds to the International Labor Organization's International Program on the Elimination of Child Labor (ILO-IPEC) to support efforts to combat exploitative child labor, and has thus far contributed \$112 million to ILO-IPEC. In 1998, DOL began implementing technical cooperation projects in other labor-related areas and, since FY1999, DOL has contributed a total of \$127 million to these projects. Currently, DOL funds projects in four basic areas:

- International Child Labor Program: These projects support the removal or prevention of over 225,000 children around the world from engaging in exploitative work, place them in schools and provide their families with alternative income-generating opportunities.
- Improving Economic Opportunities and Income Security for Workers: This program area seeks to promote workforce development, strengthen social safety nets, and improve

workplace safety and health, thereby strengthening support for economic reform and trade liberalization.

- **Protecting the Basic Rights of Workers:** Projects in this program area assist developing countries to put in place basic protections so that workers everywhere can enjoy fundamental worker rights that are crucial to building a strong and stable global economy.
- **International HIV/AIDS Workplace Education:** This initiative seeks to reduce the incidence of HIV/AIDS infections through workplace-based education and prevention programs, and to improve the workplace environment for people living with HIV/AIDS.

Since 1995, DOL has provided over \$37 million of funding for 27 projects covering 22 countries in sub-Saharan Africa. The projects have a wide scope and include an initiative to eliminate the worst forms of child labor within a set time period in Africa; programs to improve labor-management relations and strengthening labor laws; a child trafficking prevention project; and workplace-based HIV/AIDS programs.

#### **C. Transportation and Communication Infrastructure Development**

Inadequate physical and regulatory infrastructure in areas such as transportation and communications has been a major impediment to sustainable economic growth and development in sub-Saharan Africa and has hindered the region's international competitiveness. A number of U.S. Government agencies have been working to assist African countries in their efforts to improve physical and regulatory infrastructure in these sectors.

##### Transportation

The Department of Transportation (DOT) has been a leader in working with the governments of sub-Saharan Africa to develop the infrastructure needed for a competitive and healthy economy. DOT's efforts have included the Safe Skies initiative and a substantive package of technical assistance and training. DOT has worked with a wide range of government agencies and non-governmental organizations, including the Organization of African Unity, World Bank, Overseas Private Investment Corporation, the U.S. Trade and Development Agency, USAID, the Constituency for Africa, and the Corporate Council on Africa, to explore possibilities for cooperative efforts and to look at how DOT's programs in Africa can complement those already in place. In 2002, DOT is continuing a broad range of initiatives to support infrastructure development in sub-Saharan Africa. Projects include:

- **Nigeria Transportation Project:** DOT has formulated a program of technical assistance and training to support Nigeria's efforts to improve its transportation system. With \$4.3 million in funds from USAID, DOT is implementing a project involving aviation safety and security, assistance in privatizing port services, port training, and technical assistance

to develop an oversight system. Implementation efforts have involved visits of two aviation teams, one oversight team, and a maritime team (port privatization). The efforts have been successful, resulting in the lifting of the aviation security ban in December 1999, the signing of an open skies agreement, and a Memoranda of Cooperation with Nigeria's Aviation and Transportation Ministries in August 2000. In January 2001, DOT approved the South Africa Airways/Nigeria code-share flight from Nigeria to New York. This resumption of direct service is a major development, as there has not been direct service since 1992.

- **Safe Skies for Africa Initiative:** The purpose of the Safe Skies for Africa initiative is to promote sustainable improvements in aviation safety and security in Africa and to create the environment necessary to foster the growth of aviation services between Africa and the United States. The initiative recognizes that safe skies are a prerequisite for increased trade and investment and long-term economic development in Africa. The initiative also complements U.S. Government efforts to conclude "open skies" civil aviation agreements with key African countries and to promote code-share agreements between U.S. and African airlines. Specific goals include: increasing the number of sub-Saharan African countries that meet International Civil Aviation Organization (ICAO) safety standards; improving airport security at airports within the region; and improving regional air navigation services. The U.S. role is as a technical advisor and facilitator of actions to be taken by African countries, in partnership with the private sector, regional institutions and international civil aviation organizations.
- DOT is also working with the World Bank in its efforts to assist the nations of Africa to improve aviation safety and security on a regional basis. Senegal is the initial country for this effort. With the assistance of World Bank funding, DOT has completed a safety and security survey of that country's aviation sector and is now in the process of planning to implement the recommendations of the survey team.

The U.S. Government has sent teams to conduct surveys of the aviation needs of several sub-Saharan African countries and is assisting them in developing work plans to improve their aviation infrastructure. African countries are also encouraged to work with international organizations and the private sector to implement these plans. The U.S. will continue to work with other African countries outside of this group, through FAA technical assistance and training programs.

#### TDA Transportation Activities

Infrastructure projects are the basic building blocks of economic growth throughout the region and will lay the foundation for Africa to become a vibrant market in the near future. The U.S. Trade and Development Agency (TDA) has worked extensively in all major economic sectors – including rail and port, telecommunications, aviation, environmental and power generation – to

assist sub-Saharan Africa prepare for the benefits of AGOA. TDA has worked extensively to implement a number of transportation related initiatives and projects, these activities include:

- TDA and the Department of Transportation have brought officials of some of the Safe Skies countries to the United States to develop work plans based on surveys of their aviation sectors. The officials of these countries also visit U.S. airports and aviation facilities and meet with vendors and contractors of aviation-related services. Under this initiative, TDA has supported orientation visits with key decision-makers from Kenya, Tanzania, Namibia, and Cape Verde.
- SADC Air Traffic Management and CNS/ATM Transition Plan: TDA has committed \$600,000 for a major cost-shared feasibility project for upgrading regional air traffic management through the Transportation Commission of the Southern Africa Development Community. The feasibility study will provide a roadmap for the region to move from a terrestrial-based airspace management system to a space-based system. The United States is competitive in the equipment needed to implement the system, and when fully implemented, it will offer total airspace coverage, allowing the member countries to collect greater overflight fees, thereby increasing revenues.
- East Africa Transport: TDA has launched a Definitional Mission on modernization of the Kenyan, Ugandan and Mozambican rail-to-port cargo transport operations, which involves assessing improvements to transport operations across borders. TDA feasibility funding is expected to follow.
- TDA has continued its involvement in the Safe Skies for Africa Initiative with DOT, sponsoring an orientation visit to Washington, D.C., Northern Virginia and Oklahoma City, OK for 12 decision-making representatives from Mali, Cameroon and Angola. The focus of the orientation visit was improving aviation safety and security in their respective countries.
- TDA provided grants to fund the expansion of the Entebbe Airport in Uganda, the Luanda International Airport in Angola and the La Mercy Airport in South Africa to improve passenger and cargo facilities to better take advantage of AGOA export opportunities.
- TDA provided technical assistance to the Airports Company South Africa related to the development of noise analysis standards and specifications for the procurement of equipment for flight monitoring systems.
- TDA is currently reviewing a technical assistance opportunity with the Cameroon Civil Aviation Authority to assist in the arrangement of a new concession agreement focusing on obtaining capital investment from private investors.

- TDA provided a grant for a feasibility study for the modernization and expansion of the Bamako-Senon Airport.

#### Transportation Technical Assistance and Technology Transfer

The U.S. Government has been implementing programs to provide training, technical assistance, and technology transfer to sub-Saharan African countries in order to assist them in strengthening their transportation infrastructure.

- The Federal Highway Administration (FHWA) has established a technology exchange center in South Africa and Tanzania for local officials to select technologies that meet their specific needs in building and maintaining their roads. The center provides a venue to promote U.S. highway technology, to develop linkages between U.S. and South African private sectors, and to train specialists from both countries, who can learn from the technology and expertise of their counterparts.
- The Federal Transit Administration (FTA) is working in South Africa to establish training programs in urban and inter-urban passenger transport. FTA also plans to work with South Africa's Department of Transportation to develop a series of regional coordinated transportation systems through providing training, technical assistance, and professional exchanges.
- The Federal Railroad Administration (FRA) has also become involved in technology sharing programs in Africa. FRA is providing on-site advisory teams and technical assistance programs for the Southern Africa Rail Association. FRA also plans to assist African railroads in obtaining an automatic rail freight car identification and fleet management system.
- The Research and Special Programs Administration (RSPA) is offering technical assistance to African countries in the areas of hazardous materials transportation safety and safe transport of goods by pipeline. Such assistance would have several important benefits, including increased safety, harmonization of transportation regulations with international requirements, and greater market access for U.S. businesses. In addition, RSPA is exchanging information on transportation research and development projects with African countries in an effort to enhance the cost effectiveness of research programs.
- In light of the recent success of Malawi in transferring its railways to private management, USAID/Malawi has implemented a program to promote the development of public and private partnerships for other infrastructure projects. The underlying objectives of this program are to analyze the causes and potential remedies of factors that contribute to very low industrial labor productivity and exceptionally high transport costs in Malawi; promote a more effective dialogue and create problem-solving channels between the

government and the private sector; and strengthen regional business associations that do not currently have an adequate voice in the capital.

#### Communications Infrastructure

The information and communication environment in Africa today is generally characterized by anti-competitive policies and nascent regulatory capacity, limited infrastructure, obsolete equipment, and severe shortages of IT-capable workers and institutions. This has led to high prices and restrained access to essential information and communications services for millions of African businesses and individuals. It has also significantly limited economic growth. However, Africa is showing signs of improvement, with more and more governments restructuring their telecommunication sector, privatizing their national operator, setting up separate regulatory institutions and embracing pro-competitive policies and regulatory regimes. The results are beginning to show, as installations of cellular lines now exceed traditional land lines; prepaid services and "Caller Pays" tariff structures are making telephone services affordable for thousands of small merchants and other business operators; and text messaging and other advanced services are now rolling out in a number of countries.

U.S. Government agencies continue to be strong proponents of liberalization and privatization of this sector. USAID and the FCC cooperate closely to provide technical assistance and training in support of pro-competitive policy objectives.

The USAID Leland Initiative is the leading component of the U.S. Government's effort to bring the benefits of the information revolution to the people of Africa. The Leland Initiative mobilizes non-traditional development partners such as the U.S. technology industry, U.S. and African universities, NGOs and others to help build policy and regulatory capacity and improve the communications infrastructure in Africa. The Leland Initiative helps countries adopt pro-competitive policy and regulatory approaches, promote sustainable, private sector-led delivery of Internet access services, and introduce modern Internet user applications in business, government and the non-profit sectors. Since the launch of the initiative in 1996, 24 partner countries are adopting substantive reforms to their telecommunications policy frameworks; for example, cost-based tariffing has resulted in price reductions of up to 80 percent for Internet access and more than 200 private Internet service providers have commenced operations in Leland countries. Under the initiative, experts have installed high-speed national Internet gateways in 11 countries (Mali, Mozambique, Madagascar, Malawi, Eritrea, Uganda, Rwanda, Guinea, Cote d'Ivoire, Ghana, and Benin) and connected scores of user institutions. Modern, transparent information practices (e.g., citizen e-mail hotlines, election administration, judicial reform) are being adopted by the democracy advocates and stakeholders in several leading countries. Leland initiative trainers have trained more than 1,500 user institutions, and hundreds of thousands of Africans now use the Leland Internet to realize their business objectives, promote democracy and openness, and join their peers in the world of free-market democracies.

In addition to the Leland Initiative, the Department of Commerce has developed a free information technology (IT) and e-commerce software tool to help businesses, particularly in developing countries, to assess their IT usage and plan future projects. The tool was created to help stimulate demand for U.S. IT products and services in developing country markets.

The U.S. Trade and Development Agency (TDA) has also provided technical assistance and training in support of U.S. and African policy objectives to improve the communications infrastructure in Africa. Some of the projects that hold the greatest potential include the following:

- **Nigeria Spectrum Management:** TDA provided a grant to the Nigerian Communications Commission (NCC) for technical support and a feasibility study to determine how Nigeria can most effectively manage the frequency spectrum to expand wireless telecommunications access. NCC is currently implementing the recommendations of the study.
- **Mauritius Ports Authority IT Implementation Plan:** TDA provided a technical assistance grant to the Mauritius Ports Authority (MPA) to develop a detailed implementation plan for the modernization and expansion of MPA's information technology network and systems. The goal is to more thoroughly integrate MPA's electronic processing and automated management platforms. Successful implementation of the assistance will allow for better processing of both imports and exports from Mauritius.

#### **D. Energy Infrastructure Development**

The U.S. Department of Energy (DOE), in conjunction with USAID and other U.S. agencies and organizations, is promoting the adoption of regimes that will facilitate non-discriminatory access to foreign energy service providers across the entire value-chain of energy services. Energy services involve a wide range of activities, from exploration of energy resources to generation, transmission, and distribution, to marketing and trading of energy, and to services promoting the clean and efficient use of energy necessary to obtain, convert, and deliver energy resources to end users. As the U.S. economy has expanded, deregulation and privatization have led to the unbundling of energy services in many states and to greater increases in the energy services sector. The potential for enhancing this sector for future international trade is limited by the barriers that prevent equitable access and cultivation of foreign energy systems and their natural resources for win-win relationships.

The U.S.-African Energy Partnership was organized to integrate DOE's bilateral and multilateral energy cooperation with African countries and organizations, including SADC and ECOWAS. Cooperation encourages interactions among African energy ministers and heads of multilateral organizations to promote an increase in the availability of investment and necessary energy



technologies through sound policies. These interactions and activities, in turn, will help promote economic prosperity in African nations and benefit both Africans and Americans. With the increased economic viability in various African countries and an attractive regulatory and investment climate, U.S. businesses will be better positioned to increase exports of goods, services and technology to growing economies in Africa.

Primarily through a USAID interagency agreement, DOE continues to work with the Government of Nigeria on various energy reform issues, including the privatization of national utilities and pricing liberalization to promote open markets, expanded energy resource exploration and development, renewable energy technology deployment, natural gas market development, and energy services. DOE has also participated in technical consultations with representatives from Botswana on clean coal technology.

DOE has played a leading role in the work of the Climate Technology Initiative, a cooperative effort of the Organization for Economic Cooperation and Development/International Energy Agency countries, in part by funding technical support to developing country parties for needs assessments, as the initial phase of the technology transfer process. These needs assessments identify technologies that are useful in the climate change effort, as well as addressing important economic development priorities of the developing country partner. DOE is sponsoring technical support for such activities in Mauritius, South Africa, Ghana and Nigeria.

In Mauritius, an agreement has been reached with the Mauritius Sugar Authority to undertake a \$500,000 system-wide assessment of bagasse and technology improvement options to increase the efficiency of bagasse generation in Mauritius. In South Africa, a USAID-funded project is promoting solar water heaters (SWH) and is being implemented by DOE's National Renewable Energy Laboratory. The project seeks to raise low- and middle-income consumers' investment in SWH technology and to displace the less desirable paraffin (kerosene) and coal. In Ghana, initial technology priorities were developed for the energy and solid waste disposal sectors. These priorities include a wide range of end-use energy efficiency technologies, solar and biomass energy for rural applications, and landfill methane capture technologies. Additional meetings will be held with the private sector and donor community to refine an investment promotion strategy.

DOE will assist the Government of Nigeria in two areas: industrial generation in the wood processing sector and improved health care delivery through energy efficiency and renewable energy applications. These projects are expected to begin May 2002.

As a result of a Memorandum of Understanding between DOE, contributing a \$100,000 grant, and the Overseas Private Investment Corporation, contributing a \$300,000 loan, a *Village Sun Ovens* project is being implemented near Kampala, Uganda. This project will provide an environmentally friendly solar option for cooking, displace the practice of burning firewood for fuel, and reduce deforestation..

Multilaterally, the DOE continues to work principally through the Energy Ministerial dialogue process. The third Africa-U.S. Energy Ministerial will be held on June 3-4, 2002, in Casablanca, Morocco and will focus on energy security and regional integration issues that will promote energy partnerships. At the Casablanca Ministerial, the Energy Ministers will revisit the Tucson Investment Principles and Clean Energy Development Principles to evaluate the progress of and hindrances to implementation and efforts to promote increased private investment in the energy sector. The Ministerial Meetings have drawn participation from 30 AGOA beneficiary countries and from other governmental, private, and non-governmental organizations.

Through USAID, DOE has participated in aspects of the Zambia Privatization Agency's (ZPA) study of options for private sector participation in the Zambia Electricity Supply Corporation. The project involves evaluating the need and urgency for restructuring and privatization and identifying options; developing an institutional, legal and regulatory framework; conducting an asset survey and market valuation; assessing social impact issues; identifying major environmental issues; and developing an action plan. In March 2002, Zambian regulators participated in a DOE-sponsored Regulators Conference in Miami and in bilateral discussions with DOE experts.

The USAID regional mission in West Africa is collaborating with ECOWAS on the formation of the West Africa Power Pool (WAPP), as mandated by the ECOWAS Heads of State at their annual meeting in Lome, Togo in December 1999. USAID assistance to WAPP is geared toward data collection and analysis of future investment needs, with the use of a generation and transmission planning model; logistical support for the ECOWAS/WAPP Project Implementation Committee (PIC); selected training in the U.S. and workshops in West Africa (on subjects such as lessons learned from the Southern African Power Pool); and studies and technical assistance from short and/or long-term advisors (including an experienced power pool manager) to assist the ECOWAS Secretariat, the PIC, and the inter-utility project development committee from the initial design of the power pool through actual establishment of the WAPP.

The West Africa Gas Pipeline Project, implemented by USAID/Ghana and ECOWAS, is the mainstay of the region's strategy to boost non-traditional energy exports, diversify industrial structures, create regional markets, and initiate a collaborative approach to sustainable resource exploitation, while addressing key environmental concerns. Each country participant is working on developing the institutional capacity to effectively negotiate and manage its aspects of the multi-national project. The pipeline, to be financed principally by U.S. and European investors, will monetize and deliver previously flared offshore Nigerian gas to power-generating stations in Ghana and elsewhere and help to create greater domestic demand for natural gas in Nigeria.

The U.S. Trade and Development Agency (TDA) also funds energy infrastructure development. TDA continues to support power generation throughout sub-Saharan Africa while continuing to look for environmentally friendly options. TDA has recently signed several grant agreements to

undertake feasibility studies in support of this initiative. Some examples of TDA's energy-related projects include:

- **Djibouti Assal Geothermal Power Project:** TDA provided funding for the development of geothermal energy production in Djibouti. The U.S. sponsors of the project are currently arranging equity and debt financing.
- **Geothermal Conference in Nairobi, Kenya:** TDA is funding a conference on geothermal energy production for Rift Valley countries in the summer of 2002. This conference will bring U.S. experts in geothermal exploration and development together with various African Ministries of Energy, which should lead to more geothermal power production in the Rift Valley region.
- **Kenya Power Transmission Projects:** TDA provided a grant to the Kenya Power and Lighting Company to contract with a U.S. contractor to examine four priority transmission projects that will assist delivery of power to the rural areas of Kenya.
- **Ghana Biomass Power Generation:** TDA is reviewing a proposal by a U.S. company to develop a biomass power generation facility in Kumasi, Ghana. If the study proves feasible, the model may be used throughout sub-Saharan Africa.
- **South Africa Power Generation Project:** U.S. Trade Representative Robert Zoellick signed an agreement on behalf of TDA to fund most of a nearly \$900,000 feasibility study for a new power plant in South Africa.

#### E. HIV/AIDS

HIV/AIDS is a significant problem throughout sub-Saharan Africa, and particularly in southern Africa. The HIV/AIDS pandemic is expected to have devastating consequences for economic growth as well as for the social structure of Africa. The United Nations estimates that 28.1 million Africans are living with HIV/AIDS. Of these, over half are women. Young people (age 15-24) are also particularly vulnerable. In all heavily infected countries in the region, mortality is still increasing and will continue to do so through 2020. Some countries such as Botswana have already experienced a severe loss in manpower, a significant proportion of which is in highly skilled professions, such as teachers, nurses and managers. The loss of skilled manpower, coupled with the reduction in domestic savings and investments, dampen the prospects of economic growth. It is imperative to recognize, though, that in most African countries, more than 90 percent of workers are not infected with HIV. In other words, there is still time to prevent and mitigate the impact of the epidemic. In highly affected countries, the United States is working to scale up prevention measures and to undertake strong actions to mitigate the severity of the epidemic's impact. Some countries, such as Uganda and Senegal, have seen rates of new infections decline through concerted educational programs.

The Administration will continue to give a high priority to HIV/AIDS in its Africa development and trade policy. President Bush has directed the Office of National AIDS Policy to have an increased focus on the international components of the disease and to work closely with the Departments of State and Health and Human Services on policy recommendations on the international front. The President also created a new high-level task force co-chaired by the Secretary of State and the Secretary of Health and Human Services, and including the White House Domestic Policy Advisor and the National Security Advisor. The U.S. government continues to lead the international fight against HIV/AIDS, increasing its budget from \$360 million in fiscal year 2000 to \$988 million in fiscal year 2002. For fiscal year 2003 the President has requested \$1.1 billion for international HIV/AIDS programs.

In May 2001, the President announced that the United States would provide significant funding for a new Global Fund to Fight HIV/AIDS, Malaria, and Tuberculosis. The United States has made the largest pledge to the Fund: a \$500 million pledge, consisting of \$100 million in fiscal year 2001, \$200 million in fiscal year 2002, and an additional request of \$200 million in the fiscal year 2003 budget. The Administration will work with the G-8 and private foundations, corporations, faith-based groups, and other organizations, to generate additional support for this global effort.

USAID has also substantially increased its financial support for fighting the HIV/AIDS epidemic, with approximately 50 percent of its overall HIV/AIDS budget going to Africa. In fiscal year 2003, USAID's overall HIV/AIDS budget is \$640 million, an approximately 32 percent increase over the fiscal year 2002 level, and a 47 percent increase from fiscal year 2001 level. The USAID HIV/AIDS budget for Africa in fiscal year 2002 is approximately \$183 million, a 17 percent increase from fiscal year 2001.

USAID has an "expanded response" strategy to HIV/AIDS. This strategy is designed to enhance the capacity of developing countries to prevent an increase in HIV/AIDS and provide services to those who are either infected or otherwise affected by the epidemic, such as orphans, vulnerable children, and other family members. Toward these ends, USAID is strengthening its financial and technical support to selected countries. In designated African countries, the expanded response supports three goals: 1) reduce HIV prevalence among 15-24 year olds by 50 percent; 2) ensure that at least 25 percent of HIV-positive mothers have access to interventions to reduce HIV transmission to their infants; and 3) ensure that countries can provide basic care and psychosocial support services to at least 25 percent of HIV infected persons in high prevalence countries. The expanded response countries are selected on the basis of a range of epidemiological and other criteria and will be reviewed regularly in light of new data.

In order to show results, USAID has adopted a strategy of focusing on a few countries and helping them scale up interventions proven to be effective in preventing the epidemic. In addition, a multi-sectoral approach is being promoted and adopted by several countries. USAID has regional

programs in East, Southern and West Africa that are supporting cross-border initiatives that focus on policies and programs in border areas to help prevent the spread of the epidemic.

USAID strongly believes that the private sector has an important role to play in preventing HIV/AIDS and mitigating its impact. In 1999, USAID organized a roundtable on private sector participation in HIV/AIDS programs in Africa. At that time, the response of the private sector was lukewarm because HIV/AIDS had a limited impact on profits. As the evidence of the negative impact mounted, USAID, in collaboration with the Brookings Institute, organized another discussion with the private sector in June 2001. The presentations at that meeting formed part of the recommendations of the Task Force on HIV/AIDS formed by the Corporate Council for Africa (CCA).

More recently, USAID has launched an initiative that will help establish a coalition of private sector companies in at least two countries. These coalitions will work with the public sector with the objective of improving workplace policies and programs and transferring the core competencies of the private sector to public sector HIV/AIDS programs. These coalitions will also help accelerate the implementation of the CCA Task Force report. In addition, USAID prepared a best practices paper entitled, "How Are African Businesses Responding to HIV/AIDS," in preparation for the HIV/AIDS session of the October 2001 U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum. Additional papers dealt with the impact of HIV/AIDS on AGOA objectives and how Ministries of Finance and Trade are responding. As a follow-up to the Forum, USAID through the University of Natal is sponsoring an HIV/AIDS session at the June 2002 World Economic Forum in Durban, where 1000 African participants including high level officials from key economic ministries will attend.

At the country level, South Africa is an example of USAID and the private sector, both local and multinational, working together to create jobs, promote economic growth and address HIV/AIDS issues. In order to address poverty more effectively, USAID developed a new strategy that emphasizes increasing market-driven employment opportunities for the previously disadvantaged. The program has a two-pronged approach: promoting growth of non-agriculture small, medium and micro enterprises (SMMEs) in urban and peri-urban areas, and promoting the growth of small-scale businesses in rural areas.

The results of the new program are extremely encouraging. In 2000, historically disadvantaged small and medium firms conducted \$20.4 million in business transactions with large corporations. Approximately 4000 new jobs were created. HIV/AIDS activities were incorporated in all microenterprise activities as well as in other programs. Similarly, in other countries such as Tanzania and Zambia, USAID is helping establish the Business Councils. These Councils are being sensitized to promote HIV/AIDS activities.

Other agencies such as the U.S. Export-Import Bank and the Departments of Commerce, Labor, and Transportation also have HIV/AIDS related initiatives. Commercial Service offices in

Africa have actively engaged with U.S. firms and local business organizations to establish HIV/AIDS education and prevention programs for their employees. The offices have organized seminars on the subject to encourage businesses to do more counseling and prevention activities.

Additionally, the U.S. Maritime Administration is a member of the Civil-Military Alliance to Combat HIV-AIDS. This organization works in Africa and other parts of the world to fight the spread of the AIDS epidemic among highly susceptible populations, such as military and transportation personnel and their families. An Advisory Group of the Maritime Alliance on HIV-AIDS was formed with the goal of educating seafarers and port operatives on the dangers of AIDS and informing them of proper prevention methods.

#### Department of Health and Human Services (HHS)

The Department of Health and Human Services (HHS) is also committed to addressing HIV/AIDS in sub-Saharan Africa. The fiscal year 2002 HHS budget for global HIV/AIDS was \$343 million and included \$188 million for the National Institutes of Health (NIH) and \$155 million for the Centers for Disease Control and Prevention (CDC), including \$3 million for the Health Resources and Services Administration (HRSA). The proposed fiscal year 2003 HHS budget for global HIV/AIDS is \$377 million and includes \$222 million for NIH and \$155 million for CDC.

In addition to co-chairing the Cabinet Task Force on HIV/AIDS, Secretary of Health and Human Services Tommy Thompson is the U.S. representative to the Board of the Global Fund to Fight AIDS, Tuberculosis, and Malaria. HHS staff have provided critical policy support in the development of the guiding principles and framework for the Global Fund.

Secretary Thompson led a Presidential Mission to sub-Saharan Africa including Mozambique, South Africa, Botswana, and Côte d'Ivoire in April 2002. The Secretary and his delegation were able to see first hand the major health problems faced by, and innovative interventions for, children and families on the continent. Additional information on HHS and global health is available at [www.globalhealth.gov](http://www.globalhealth.gov).

The National Institutes of Health (NIH) has maintained a strong international AIDS research portfolio in many of its Institutes and Centers. NIH has expanded this effort to encompass more than 50 countries in Africa, Asia, Europe, Latin America and the Caribbean, and works to relate its research to the cultural, social, and economic contexts of developing countries. The development of research infrastructure, including training of scientists and health care providers, is an essential component of these NIH research programs, as are efforts to ensure the translation of research results into effective prevention programs and improved patient care. The NIH Office of AIDS Research (OAR) has established the Global AIDS Research Initiative and an associated strategic plan to set specific priorities. NIH also supports a wide range of major HIV-

related global research initiatives. Additional information on NIH and HIV/AIDS is available at [www.nih.gov/od/oar/index.htm](http://www.nih.gov/od/oar/index.htm).

The Centers for Disease Control and Prevention (CDC) is active in 17 sub-Saharan African countries under the Global AIDS Program (GAP). CDC/GAP has developed a set of 17 technical strategies for implementing programs, focusing on three key areas: infrastructure and capacity development, including disease surveillance, laboratory technical support, information systems, training, and program monitoring and evaluation; primary prevention, including voluntary counseling and testing, preventing mother-to-child transmission, blood safety, sexually transmitted disease prevention and care, behavior change communications, and prevention for drug users; and care and treatment, including treatment of tuberculosis and other opportunistic infections, palliative care, and appropriate use of antiretroviral medications. In addition, the CDC Division of HIV/AIDS Prevention conducts HIV prevention and intervention research to complement and augment CDC/GAP activities in four priority sub-Saharan African countries. Additional information on CDC and global HIV/AIDS is available at [www.cdc.gov/nchstp/od/gap/default.htm](http://www.cdc.gov/nchstp/od/gap/default.htm).

The HIV/AIDS Bureau at the Health Resources and Services Administration (HRSA), through an agreement with CDC/GAP, has received funding to support the training and education of healthcare providers and to support the development and implementation of care and treatment activities in GAP priority countries. Additional information on HRSA and HIV/AIDS is available at [www.hab.hrsa.gov](http://www.hab.hrsa.gov)

The Administration has informed countries that, as they take steps to address a major health crisis like the HIV/AIDS crisis in sub-Saharan Africa, they should avail themselves of the flexibilities afforded by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), provided that any steps they take comply with the provisions of the TRIPS Agreement. The Administration is equally committed to a policy of promoting intellectual property protection, including for pharmaceutical patents, because of its critical role in the rapid innovation, development, and commercialization of effective and safe drug therapies. Financial incentives are needed to develop new medications. No one benefits if research on such products is discouraged. An integrated approach is needed to deal with the HIV/AIDS crisis. To deal with serious health problems, countries need to stress education and prevention. The cost of drugs is but one of many important issues that must be addressed. Effective drug treatment requires urgent action to strengthen health management systems, especially with regard to the means and methods of drug distribution. Other needed measures include: the development of appropriate drug selection policies and standard treatment guidelines; the training of care providers at all levels; an increase in the availability of adequate laboratory support to diagnose and monitor these complex therapies; and ensuring that the right drugs are used for the right purpose and in the right amount.

AIDS care, and not just AIDS drugs, must be delivered. This can only be accomplished through a broad partnership among governments, donors, multilateral organizations, NGOs, philanthropic organizations and industry. The current partnerships need to be strengthened and expanded. Drug therapies must be part of an integrated approach that emphasizes prevention, along with care and treatment. The U.S. Government wants to contribute to solutions in ways that continue to encourage the discovery and production of other effective treatments in the future – for this disease and others.

#### **F. Small Business Development**

Promoting small business development in the United States and abroad is important to the Administration. The strong interest by developing countries in the role of small business in economic growth and development opens doors both for U.S. trade and foreign policy interests. With small business now accounting for over \$250 billion of exports per year, or 30 percent of total U.S. exports, it has become a major player in world trade. U.S. small business has attracted the attention of economic and trade policy makers in the United States and abroad. Small business has a huge presence in the U.S. economy, representing 40 percent of GDP, equivalent to \$4 trillion of output.

For U.S. small businesses, trading with sub-Saharan African countries has numerous benefits: African markets are comparatively small and therefore more manageable; competition by big business is reduced because they often overlook smaller markets; and African firms like to deal with small businesses because they sometimes find multinational companies intimidating. The U.S. Small Business Administration (SBA) has also found that it has special access to developing country markets not only for trade purposes, but because these countries are eager to learn about the role of small business as a source of growth and economic development. This interest pays dividends for U.S. small business and trade.

SBA has become increasingly supportive of trade and development with Africa. SBA has met with several African economic officials and Ambassadors, participated in inter-agency working groups, and sponsored U.S.-Africa trade events in Washington, Denver, Detroit and New York. SBA also participates on the Department of Commerce's Africa Team.

In 2001, SBA was awarded a grant through ATRIP to help develop the small business sector in Nigeria. The goal of this project is to enhance the level of entrepreneurial assistance available to Nigerians by creating Business Information Centers (BICs) which, in the United States, have been effective in promoting private enterprise and small business development. A BIC is a one-stop community-based location where current and future small and medium businesses can receive assistance and advice. BICs provide computer and telecommunication access, advice on business operations and finance, and extensive reference materials such as publications and videotapes. Another component of the original proposal was to identify trade opportunities for U.S. and Nigerian small businesses and facilitate those opportunities through trade events.



SBA has also been active in South Africa, where SBA has participated in several trade missions and events. SBA continues to work with the South African Government on a Trade and Development Cooperation Agreement for small business.

#### **G. Overseas Private Investment Corporation**

Recognizing the importance of financing for projects in sub-Saharan Africa, AGOA supports the Overseas Private Investment Corporation (OPIC) equity funds in projects in sub-Saharan Africa. It also calls for OPIC to create an advisory council. OPIC provides project finance debt support, private equity fund investment programs, and political risk insurance services that are currently available in more than 145 countries including 43 countries in sub-Saharan Africa. As of December 31, 2001, OPIC's combined maximum exposure in sub-Saharan Africa was over one billion dollars, supporting 46 projects in 21 countries.

OPIC's commitment to sub-Saharan Africa has been significant. During a Rose Garden ceremony at the White House, President Bush announced the creation of a \$200 million OPIC support facility that will give American firms access to loans, guarantees and political risk insurance for investment projects in sub-Saharan Africa. OPIC estimates that the direct impact of OPIC Funds in Africa has been \$1 billion in U.S. exports over five years, 1,800 U.S. jobs, \$900 million in additional investment leveraged by funds investments, \$126 million in annual revenues to African countries, and 7,500 African jobs.

Consistent with OPIC's increased focus on small business and projects with significant development impact, OPIC recently approved a \$200,000 small business project in Kenya to drill for much-needed potable-water. OPIC has also made important headway with the OPIC private equity program envisioned in AGOA. In August 2001, the OPIC Board of Directors approved \$227.5 million in financing for the establishment of a \$350 million Africa Millennium Fund. The fund will target infrastructure sectors including telecommunications, transportation, power, water and sanitation.

As part of OPIC's strategy for sub-Saharan Africa, OPIC President and CEO Peter Watson has ordered a comprehensive review of the existing Africa Investment Council and is working on plans to invigorate the organization by expanding its membership and renewing its focus. The aim is to make the Africa Investment Council a valuable forum for gathering and sharing information that will be useful in OPIC's efforts to promote U.S. foreign direct investment in sub-Saharan Africa.

Another promising new African initiative for OPIC involves expanding and improving local housing markets. OPIC is working with other U.S. Government agencies, African governments, and the U.S. housing industry to identify ways to help address the enormous and housing needs in Africa. The objective is to support the development of secondary-mortgage markets which have worked so well in the United States to make adequate housing accessible to all Americans.

Finally, in April, 2002, OPIC's President & CEO traveled to South Africa, Ghana, and Kenya on a high-level business development trip that included OPIC and other private investment fund managers. The delegation was presented with projects by local ventures seeking funding.

#### **H. Export-Import Bank Initiatives**

The Export-Import Bank of the United States (Ex-Im Bank) is an independent U.S. Government agency that helps finance the overseas sales of U.S. goods and services. It provides guarantees of working capital loans to U.S. suppliers and guarantees the repayment of loans to foreign purchasers of U.S. goods and services. Ex-Im Bank also provides export credit insurance that protects U.S. exporters against the risk of non-payment by foreign buyers for political or commercial reasons.

To take full advantage of the opportunities provided by AGOA, sub-Saharan African manufacturers will need to increase productive capacity. Ex-Im Bank is positioned to help sub-Saharan African manufacturers expand their businesses by supporting the financing of U.S. manufacturing equipment and services.

The following is a summary of Ex-Im Bank's accomplishments and activities in sub-Saharan Africa supporting AGOA, highlighting the progress it has made in 2001 to promote the expansion of its programs, financing opportunities and commitments in sub-Saharan Africa.

- Manufacturing Equipment to Ghana:

Ex-Im Bank provided a medium-term guarantee to support the sale of new and used textile manufacturing equipment to Overseas Knitwear Fabrics Ltd. of Accra, facilitating the purchase of \$551,600 from U.S. exporter, Southern Textile Exchange, LLC, a small Chattanooga, TN, exporter, along with three other U.S. suppliers. This transaction was financed with the support of a \$468,860 Ex-Im Bank medium-term loan guarantee. The buyer will purchase partially finished socks from the U.S. and will then finish these socks in Ghana for re-export to the United States.

- Short-term Insurance Pilot Program Transaction:

During 2001, the Ex-Im Bank Insurance Division authorized its first transaction under the Short-Term Africa Pilot Program. This program allows Ex-Im Bank to support U.S. exports to certain sub-Saharan African markets that would not otherwise be open. The transaction, approved in July, provided an Ex-Im Bank export credit insurance to Edelweiss (USA), Inc. of Westbury, New York for the export of \$25,000 in frozen chicken to ETS Balas of Nouakchott, Mauritania. Ex-Im Bank continues to promote business under the Short-Term Africa Pilot Program with regional training seminars in Africa.

- Working with African Banks:

Ex-Im Bank has continued its efforts to offer guarantees to African banks as a means of encouraging these financial institutions to lend to customers purchasing U.S. goods and services.

For the first time in its history, Ex-Im Bank signed Master Guarantee Agreements (MGAs) with African Banks, initially with six banks in Nigeria and one bank in South Africa. In 2001, Ex-Im Bank signed MGAs with one additional bank in South Africa, a regional development bank in Kenya, and two banks in Mozambique. Ex-Im Bank held discussions with six regional development banks in Africa regarding the establishment of partnerships to facilitate financing in member countries. These partnerships would give Ex-Im Bank a wider reach into numerous markets and increase the pool of African businesses that can utilize Ex-Im Bank supported financing for purchasing U.S. goods and services. During 2001, Ex-Im Bank signed Memoranda of Cooperation with two regional development banks: ECOWAS Fund and the East African Development Bank.

- African Embassy Training:

Ex-Im Bank continued to reach out to the African diplomatic corps in Washington, D.C. The Ambassadors, commercial, and economic officers at the African embassies are often the link between the African private sector and U.S. companies. In 2001, three seminars were held to inform these individuals of Ex-Im Bank programs, highlighting Ex-Im Bank's insurance product, loan guarantees, and project finance capabilities. In addition, a special seminar was held for diplomats from countries included in the Bank's Short-Term Insurance Pilot Program to discuss short-term insurance options.

- E-mail Africa Update:

Ex-Im Bank's *E-mail Africa Update* was created in the fall of 1999 to increase subscriber awareness of Ex-Im Bank's activities and new initiatives in Africa as well as to announce upcoming training seminars and other official visits to Africa by Ex-Im Bank officers. In January 2000, this service reached 800 subscribers. By December 2001, this number had grown to 3240. Approximately 2/3 of the subscribers are African businesses.

- African Buyer Training:

Throughout 2001, Ex-Im Bank continued to focus on the African buyer in its outreach efforts as follows:

-- In February 2001, Ex-Im Bank staff kicked-off the Bank's Africa business development efforts for the year with special training programs in South Africa, Mozambique, and Kenya.

-- In May 2001, Ex-Im Bank offered a training seminar to African buyers in Senegal, attracting potential buyers from neighboring countries such as Mauritania, Mali, and Nigeria. This program included other government agencies and U.S. commercial bank participation. A special session on the Short-Term Insurance Pilot Program was held during this trip as well.

-- In July 2001, Ex-Im Bank staff presented a project finance workshop in collaboration with the U.S. Department of Commerce's Commercial Law Development Program (CLDP) in Nigeria.

The project finance workshop consisted of an introduction to project finance, structuring deals, conducting due diligence, closing conditions, political risk issues and dispute resolution.

-- August 2001, Ex-Im Bank staff visited Namibia to participate in a trade mission designed to encourage foreign direct investment and promote trade.

-- The business development-Africa staff traveled to Kenya, Mozambique, South Africa, Senegal, Cameroon, Nigeria and Namibia. In all, representatives from six divisions of the Bank traveled to 12 markets in sub-Saharan Africa in 2001.

CFA Franc Program:

The Ex-Im Bank Foreign Currency Guarantee Program (FCGP) was established to meet the needs of buyers of U.S. goods and services. It is designed to help these buyers control certain risks associated with export credits by effectively spreading fluctuation risk among a number of parties. Ex-Im Bank had already determined that it could issue guarantees denominated in South Africa rand, and in 2001 it added the CFA franc to the list of approved local currencies.

2001 EVENTS:

Several special events in 2001 provided a forum for Ex-Im Bank to meet with various private and public sector entities to discuss Ex-Im Bank and express Ex-Im Bank enthusiasm for increasing business in sub-Saharan Africa.

AGOA Seminar: In February, 2001 Ex-Im Bank staff participated in a training seminar on AGOA hosted by the U.S. Consulate in South Africa. This event included several presentations to approximately 100 potential AGOA-eligible companies in the Durban area. Ex-Im Bank's presentation provided information on the ability of these companies to obtain financing for their expansion plans.

Ex-Im Bank Annual Conference: Individuals representing more than 30 African banks and businesses traveled from Africa to attend the Ex-Im Bank Annual Conference in Washington, D.C. in April 2001. The sub-Saharan Africa workshop discussed Ex-Im Bank's current activity in Africa and highlighted several transactions that represent the various U.S. opportunities in the marketplace.

**I. U.S. Department of Commerce Initiatives**

The Department of Commerce has been very active in the implementation of AGOA and in promoting and supporting U.S. business interests in Africa.

AGOA required Commerce to have 20 full-time Commercial Service employees stationed in no less than 10 sub-Saharan African countries, subject to Congressional appropriations. Although the Commercial Service meets the requirement of 20 full-time employees, the Commercial

Service is not represented in ten sub-Saharan African countries because Congress has not appropriated the necessary funding. Nevertheless, the Commercial Service has committed to increasing its staffing levels in sub-Saharan Africa to assist U.S. businesses in the region. The Commercial Service will expand operations in Accra, Ghana by adding an American Officer to the post. The Commercial Service will also open an additional office in Sub-Saharan Africa, with its location to be determined before the end of fiscal Year 2002. Additionally, in 2001, the Commercial Service assigned another Commercial Officer to Lagos, Nigeria to better assist U.S. firms in the Nigerian market. The Commercial Service also opened new offices in Cape Town and Durban, South Africa, and added additional officers in Johannesburg, South Africa.

The Department of Commerce has participated in several AGOA technical workshops in sub-Saharan Africa. In 2002, the Department conducted workshops for the private sectors in Namibia and Botswana. In 2001, the Department also participated in interagency technical assistance workshops in Uganda, Rwanda, Ethiopia, Madagascar, Nigeria, South Africa, Zambia, and Portugal (for lusophone Africa).

Commerce officials have also participated in several seminars on AGOA throughout the United States. Commerce conducted an AGOA workshop for Economic and Commercial officers of African embassies in Washington. The Commerce Department regularly briefs U.S. businesspeople and visiting African government and industry leaders on AGOA. Commerce also established an Advisory Committee on Africa in January 2000 to advise the Secretary of Commerce on commercial issues in Sub-Saharan Africa.

#### **J. African Development Foundation**

The African Development Foundation plays a unique role within the U.S. Government's foreign assistance community. ADF's goal is to demonstrate that there are extensive opportunities to make targeted investments in small-scale, grassroots-based activities that can yield high returns, expand trade, promote reform, and produce significant, sustainable economic impacts in Africa. ADF complements other U.S. agencies' programs by working directly at the grassroots level, entirely in partnership with African non-governmental organizations, to alleviate poverty and promote broad-based sustainable development. Recognizing the Foundation's extensive experience in improving the productivity of small farmers and building robust small enterprises, the Congress mandated ADF to seek ways to increase the participation of African grassroots enterprises and producer groups in international trade. ADF has focused on two areas as a part of its trade and investment initiative:

- Promoting non-traditional exports that poor farmers can grow and market; and
- Enabling small manufacturers to expand production for export.

The Foundation has developed some innovative and replicable models that link small African producers to the global economy, with very significant impact. ADF is expanding its grassroots

trade and investment activities. The Foundation is working with small, indigenous businesses or farmers groups to launch investments in a wide range of production activities.

#### **VII. U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum**

Section 105 of AGOA requires the President to establish a U.S.-Africa Trade and Economic Cooperation Forum (Forum) no later than May 2001. In creating the Forum, AGOA requires the President to direct the Secretaries of Commerce, Treasury, State, and the U.S. Trade Representative to host the first annual meeting with their counterparts from sub-Saharan African countries to discuss expanding trade and investment relations between the United States and sub-Saharan African countries, and implementation of AGOA, including encouraging joint ventures between small and large businesses. Non-governmental organizations are encouraged by the Act to host a meeting with their sub-Saharan African counterparts in conjunction with the Forum meetings.

The inaugural meeting of the Forum was held in Washington, October 29-30, 2001. It was hosted by U.S. Trade Representative Robert Zoellick, Secretary of State Colin Powell, Secretary of the Treasury Paul O'Neill, and Secretary of Commerce Donald Evans. Trade, Foreign Affairs, and Finance Ministers from the 35 eligible sub-Saharan African countries participated in the Forum, along with representatives from African regional organizations. The Forum focused on measures that the U.S. and sub-Saharan African nations can jointly take to stimulate economic growth and trade, enhance democracy and good governance, and combat HIV/AIDS. President Bush, Agriculture Secretary Veneman, National Security Advisor Rice, USAID Administrator Natsios, and a bipartisan delegation from Congress also participated in the Forum, demonstrating the deep commitment of the Administration and U.S. Government to strengthening trade and investment ties, increasing prosperity and combating poverty on the African continent.

During the Forum, U.S. officials emphasized the United States' strong commitment to Africa and noted the initial success of AGOA. U.S. and African speakers underscored the necessity of good governance, rule of law, and political freedom to attract investment and achieve growth. The Forum was the largest and highest level U.S.-sub-Saharan African policy meeting ever held. The Forum allowed for greater cooperation between the United States and its African partners and advanced U.S. trade and investment policy objectives in the region. The Forum helped in developing specific mechanisms to achieve the goals embodied in AGOA. The Forum also encouraged further reforms in African countries through dialogue with high level sub-Saharan African government officials.

The Forum is a cornerstone of AGOA and institutionalized an economic dialogue between U.S. and African officials, much like the dialogue that the United States maintains with other regions of the world, e.g. The Summit of Americas and the Asian Pacific Economic Cooperation Forum.

The Forum is the Bush Administration's premiere platform to articulate and advance its trade and economic policy toward Africa.

### **VIII. Potential Free Trade Agreements with sub-Saharan Africa**

Section 116 of AGOA calls for the negotiation of free trade agreements (FTAs) with interested countries in sub-Saharan Africa. In other regions of the world, such agreements have served as catalysts for increasing bilateral trade and investment and for promoting economic growth and development. During his February 2002 visit to sub-Saharan Africa, U.S. Trade Representative Robert Zoellick and Trade Ministers from the Southern African Customs Union (SACU) discussed the possibility of a free trade agreement between SACU and the United States. SACU Ministers expressed strong support for further exploring this possibility and are preparing to discuss a framework for progress leading to the start of negotiations. (SACU members are South Africa, Botswana, Lesotho, Namibia, and Swaziland)

SACU is the world's oldest customs union (established in 1910), and member countries constitute the largest U.S. export market in sub-Saharan Africa. U.S. merchandise sales to the region topped \$3.1 billion in 2001 – an increase of six percent over 2000. SACU embraces nearly 50 million consumers and accounted for more than 40 percent of total sub-Saharan African GDP in 2000. It is also a leading destination for U.S. foreign direct investment to the continent, taking in more than \$2.8 billion in 2000. An FTA with the SACU countries would eliminate relatively high tariffs on U.S. exports, reduce regulatory barriers in key service sectors, and strengthen protection of intellectual property rights. It would also level the playing field in areas where U.S. exporters are disadvantaged by South Africa's free trade agreement with the European Union and create an environment that enables an expanded U.S. commercial presence in the region.

As WTO members and leading AGOA beneficiaries that have met the requirements of AGOA's textile and apparel provisions, the SACU countries have already seen the positive role that trade can play in alleviating poverty and creating commercial opportunity. By locking in their AGOA benefits, an FTA would provide SACU members with the kind of guaranteed access to the U.S. market that supports long-term investment, economic growth, and development. An FTA would also help to support these countries' own economic reform efforts, further their regional integration program, and lower the perceived risk of investing in southern Africa. The United States has relatively few FTAs, and the quality and comprehensive nature of these agreements sends an important signal to the world. In further exploring an FTA with the SACU countries, the Administration will consult closely with Congress and with other constituencies, including the business community.

## **IX. AGOA Country Reports**

This section contains information on all countries that have been reviewed for eligibility under AGOA by the interagency Trade Policy Staff Committee. Three countries, Comoros, Somalia, and Sudan, have not expressed an interest in receiving the benefits of AGOA and therefore have not been reviewed. A list of all 35 countries eligible for AGOA as of early May 2002 is contained in Section XI. A.

### **Country Summaries:**

#### **ANGOLA**

**Status:** Not AGOA eligible: Angola did not receive AGOA beneficiary country designation largely because of concerns related to corruption, labor and human rights.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** In recent years, Angola has begun efforts to reverse years of economic and fiscal mismanagement, but progress is slow and uneven. Weak policies and budget discipline continue to cause large fiscal deficits. The IMF Staff-Monitored Program ended in June 2001, in large part due to a stalemate over transparency issues. The government has liberalized exchange and interest rates, reduced tariffs, and reduced fuel and other subsidies. It began work on improving its intellectual property rights laws and is rewriting the outdated commercial and foreign investment codes. Positive results are already coming from the sustained effort to reform and modernize customs procedures.

**Rule of Law/Political Pluralism/Anti-Corruption:** The Government and UNITA signed a cease-fire in April 2002, ending 27 years of civil war. The government restated its commitment to hold elections as soon as conditions permit, perhaps in 2003. The legislature is working on a new constitution, which may be finished in 2002. The political opposition, civil society, and the independent media have enjoyed greater freedom of expression over the past year. Angola's judiciary is inadequately trained and funded, and does not ensure due process. Corruption, mismanagement, and a lack of governmental transparency and accountability remain widespread and reach senior levels of the government.

**Poverty Reduction:** Angola is finalizing an Interim Poverty Reduction Strategy paper, in consultation with multilateral and bilateral donors. Military expenditures have dropped in recent years, but there has been little measurable improvement in social spending.

**Labor/Child Labor/Human Rights:** There has been little progress in strengthening labor and child labor laws, although Angola ratified ILO Convention 182 on the worst forms of child labor in June 2001. Angolan law allows the government to replace striking workers or force them back to work, and a climate of state-sponsored intimidation continues to restrict the activities of independent labor organizations. The end of the civil war resulted in a reduction in human rights violations, but serious



problems remain. Security forces reportedly committed extra-judicial killings. Police participated in shakedowns, muggings, and car-jackings. Over the past year, there have been reports that the government has forcibly displaced civilians in its effort to defeat UNITA. UNITA also has committed numerous and serious human rights violations, including extra-judicial killings.

## BENIN

**Status:** AGOA eligible

**AGOA Trade and Investment:** Benin's duty-free exports to the United States under AGOA were valued at \$178,000 in 2001, consisting entirely of forest products shipped under the GSP provisions of the Act. These exports represented 14 percent of Benin's total exports to the United States. Benin has not yet reported significant investment activity as a direct result of AGOA.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Since 1988, Benin has adopted market-oriented economic policies and has made enough progress on economic reform to qualify for HIPC debt relief. The pace of reform has slowed considerably since early 2001. Benin has reformed its budget preparation and management systems and made changes in banking, but has not implemented other major structural reforms it had discussed with the IMF and World Bank. Public enterprises in the cotton, telecommunications, and electricity/water sectors are not yet privatized. The legal system recognizes and protects property rights. Benin has signed the Multilateral Security Agency Agreement and the Convention for the International Settlement of Investment Disputes. Benin has adopted new business and investment codes, and established a court for arbitration of business disputes.

**Rule of Law/Political Pluralism/Anti-Corruption:** The Constitution provides citizens the right to change their government peacefully and there have been several free and fair presidential and legislative elections since 1991, most recently presidential elections in 2001. The right to due process and fair trial as well as equal protection under the law is respected. The judiciary is independent and the government respects that independence, but it remains inefficient and subject to corruption. There has been progress since 2001; for example, a large number of judges implicated in a travel voucher scandal were arrested. However, serious administrative delays and persistent corruption hamper the effective administration of justice. Benin will hold its first-ever municipal elections in December 2002. Nearly twenty political parties sit in the national legislature. A vocal print media regularly criticizes the government, with over a dozen daily newspapers in Cotonou alone. The Finance Ministry has implemented a new customs clearance system to reduce corruption there, and the government has pursued allegations of corruption in the privatization of the government oil/gas company.

**Poverty Reduction:** The Government has adopted an interim poverty reduction strategy paper (PRSP) which includes measures on education, health and water quality, and is developing a final

PRSP in conjunction with the donor community. Social indicators, although still poor, are generally improving. A program to increase primary education enrollment and improve family health is in place, as is a national HIV/AIDS strategy.

**Labor/Child Labor/Human Rights:** Benin fully recognizes the right to form unions and engage in collective bargaining, although the ILO has called for improvement in the law regarding freedom of association, especially in the areas of maritime seamen rights and legal restrictions on the right to strike. Several generally independent union confederations operate in Benin. Unions representing government workers won concessions on wages in March 2002. The government has signed an MOU with the ILO on child labor and ratified International Labor Organization Convention 182 on the elimination of the worst forms of child labor in May 2001. Still, the use of child labor remains widespread and domestic and international trafficking of children remains a problem, although the government has stepped up efforts aimed at intercepting smugglers transporting children abroad for labor. The government generally respects the human rights of its citizens and there are no reports of political prisoners. Serious problems include unhealthy prison conditions, failure to curb vigilantism, and serious administrative delays in processing ordinary criminal cases.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** The United States Embassy in Benin conducted conferences on AGOA, in November 2001 and February 2002. AGOA has received some media attention in Benin. Benin has requested assistance in meeting its WTO obligations. Benin requires greater production capacity and investment in manufacturing facilities in order to maximize its AGOA benefits in that sector.

## BOTSWANA

**Status:** AGOA eligible, including textile and apparel benefits.

**AGOA Trade and Investment:** Botswana's duty-free exports to the United States under AGOA were valued at \$1.2 million in 2001, all of which were shipped under the GSP provisions of the Act. These exports represented less than one percent of Botswana's total exports to the United States. At least nine firms in Botswana are now, or soon expect to be, exporting apparel to the United States under the textile and apparel provisions of AGOA. These firms – some of which represent new investments in response to AGOA, including a new \$1.5 million investment by a Sri Lanka company – hope to expand output and increase employment by at least 2,000 jobs by the end of 2002.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Botswana has an open, rules-based trading system. There are no known investment disputes involving U.S. companies. Botswana's regulatory system is transparent. There are no foreign exchange controls, price controls, or price subsidies. The country's remaining parastatals are now required to operate on a commercial basis, and the government is committed to privatizing all but its diamond parastatal. New legislation passed in 2001 brings Botswana largely into compliance with the TRIPS agreement.

Botswana law prohibits nationalization of private property. Botswana has been ranked by Moody's and Standard & Poor's as Africa's best credit risk.

**Rule of Law/Political Pluralism/Anti-Corruption:** Botswana has a solid record of observing the right to due process, a fair trial and equal protection under the law. Political pluralism is well established, and the independent press has a long tradition of candid, unimpeded discourse. There is an active and effective campaign to eliminate corruption and improve the efficiency of the judicial system, which suffers from serious backlogs. Botswana has been ranked as the least-corrupt country in Africa by Transparency International.

**Poverty Reduction:** The government has linked poverty reduction to the development of the country's private sector through foreign and domestic investment. Investment incentives for job-creating industries have been established in traditionally underdeveloped rural areas. There is universal access to health care and primary education, with schools and clinics throughout the country. The government is attempting to expand rural access to secondary education. Health care spending is growing as the government implements a national HIV/AIDS control strategy.

**Labor/Child Labor/Human Rights:** The government generally respects the human rights of its citizens. Botswana has ratified all ILO core conventions, including No. 182 (worst forms of child labor) and No. 138 (minimum age). The constitution provides for the right of association and all workers, except government employees, may join or organize unions of their choice. The government has broad discretionary power over trade union affairs and current law restricts the right to strike. The government is working with the ILO to update its labor laws and bring them into compliance with international labor standards.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** U.S. Embassy officials in Botswana conducted numerous briefings on AGOA for local government officials and businesspeople. A USAID-funded AGOA consultant worked closely with the Botswana Government and private sector to form an inter-ministerial committee on AGOA implementation. Botswana officials also participated in U.S.-sponsored AGOA seminars and in a Customs-sponsored training course. Botswana has expressed interest in the full range of trade capacity building topics, including assistance in sourcing/identifying U.S. buyers, partners, inputs, technology, services and finance, as well as assistance in taking part in WTO and other trade negotiations.

## BURKINA FASO

**Status:** Not AGOA eligible: Burkina Faso did not receive AGOA beneficiary country designation largely because of concerns related to its foreign policy and its participation in the conflict diamond trade.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** The government has undertaken modest privatization – the privatization of the telecommunications company is moving forward, and Burkina Faso plans to privatize electricity, petroleum, and cotton parastatals. Burkina Faso is a member of the WTO, the World Intellectual Property Organization, and the African Intellectual Property Organization, although counterfeit goods are common. The country adopted the WAEMU Common External Tariff in January 2000, but maintains some import bans and quotas on agricultural products and some domestic subsidies. Burkina Faso's main economic structural reforms are on track, drawing praise from the World Bank and IMF. Burkina Faso has qualified for HIPC debt relief. The government has set up streamlined procedures to register businesses.

**Rule of Law/Political Pluralism/Anti-Corruption:** The Government of Burkina Faso is dominated by a strong democratically-elected presidency. Diversity in political party representation increased at the municipal level in the last local elections, but the ruling party continues to dominate national politics. Burkina Faso has reduced corruption through judicial reform, modifications of the civil service wage scale, and an integrated government accounting system. The government has taken steps to improve the situation, but the judiciary remains subject to executive influence, and enforcement of anti-corruption laws is still inconsistent. Legislative elections were planned for May 2002.

**Poverty Reduction:** In June 2000, the Government set goals for a reduced role for the state, enhanced social services, and improved governance. The budget emphasizes education and health spending (20 percent of the budget). Social indicators are low but improving. Primary school enrollment has increased by 11 percent in the last decade, and budget allocations for education were increased to fight an illiteracy rate of 77 percent. Citing this progress, the World Bank approved Poverty Reduction Support Credit for Burkina Faso in July 2001.

**Labor/Child Labor/Human Rights:** Burkina Faso prohibits forced or bonded child labor and ratified Convention 182 on the worst forms of child labor in July 2001. While trafficking of children is a significant issue in the country, Burkina Faso is participating in a regional ILO project on trafficking of children. The government is cooperating closely with donors to develop and implement strategies to reduce trafficking in persons and child labor. Child labor is common. Workers have a legal right to association, and labor unions have bargaining rights and freedom of association with international counterparts; however, restrictions on trade union rights include the government's power to requisition civil servants in the event of a strike. The press is vocal and relatively free. Human rights practices have improved, but an overall climate of impunity for security forces continues to exist.

**U.S. National Security and Foreign Policy Interests:** Burkina Faso has played an unhelpful role regionally, undermining stability and U.S. foreign policy interests. However, the government has been helpful on terrorism and there has been some improvement over the past year. The United Nations Experts' Panel found that members of the government of Burkina Faso

have participated in contraband diamonds and weapons trading which has aided insurgents and fueled conflicts in Sierra Leone and Guinea.

#### **BURUNDI**

**Status:** Not AGOA eligible. Burundi did not receive AGOA beneficiary country designation, largely because of concerns related to economic reform, rule of law and labor and human rights.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** The civil war in Burundi caused severe economic disruption, especially to the economy's small modern sector, and injured Burundi's former reputation for responsible fiscal and economic management. The government has stated its intent to divest its very large economic holdings, although the paucity of private investment (foreign and domestic) is a problem. Burundi has an open, rules-based trading system and provides protection for private property. The government controls a few prices (e.g., petroleum products, beer, sugar). Tariffs on imports are relatively high.

**Rule of Law/Political Pluralism/Anti-Corruption:** The rule of law has serious flaws. A new transition government was formed in November 2001. Rule of law, however, is routinely flouted in the civil war against rebel forces, underway for more than eight years. The judiciary is not independent and civil courts currently do not operate efficiently due to lack of resources and corruption. This situation should improve as the newly re-created legislature begins to function.

**Poverty Reduction:** The government has formulated a Poverty Reduction Strategy Paper, but it has not been implemented.

**Labor/Child Labor/Human Rights:** Although there are reports of government interference, workers have the right of association and to strike (within limits). The law prohibits forced or compulsory labor and child labor, but the still-militarized situation in much of the country has led to reported abuses of both prohibitions. Children under 16 work in agriculture and in the informal sector. Burundi has not formally ratified ILO Convention 182 on the worst forms of child labor. The military has killed civilians, and there is a culture of impunity for those who commit such violations. There is a record of army reprisals against civilians suspected of cooperating with the rebels. The rebels are also guilty of egregious human rights abuses, including the recruitment of child soldiers.

#### **CAMEROON**

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Cameroon's duty-free exports to the United States under AGOA were valued at \$37.2 million in 2001, almost all of which were oil or energy-related products. These exports represented 37 percent of Cameroon's total exports to the United States. No AGOA-related investment has been reported to date. Cameroon qualified for AGOA textile and apparel benefits in March 2002.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Cameroon has the largest and most diversified economy in the six-nation Central African Economic and Monetary Community (CEMAC), and has enjoyed five consecutive years of GDP growth, currently at 5.3 percent. Cameroon completed a three-year, IMF-backed structural adjustment program, secured HIPC debt relief, and implemented privatization programs. In the past year, Cameroon privatized rubber production and sold its power utility to a U.S. company. It is currently engaged in negotiations to privatize water utilities, telecommunications, and the Cameroon Development Corporation. The government plans to sell off its share of the petroleum storage facility, and to privatize the airline, agriculture, and insurance industries. The government has revised its commercial laws to attract more investment, with identical provisions for foreign and domestic investors. Parliament passed a new Investment Charter in March 2002, granting further incentives for investors and providing for public sector reforms. There are various methods of dispute resolution, but foreign investors have occasionally found it difficult to obtain enforcement of their legal rights from an inefficient judiciary. AGOA has helped to resolve bilateral investment disputes in Cameroon, and move stalled U.S. investment projects forward. U.S. investment has increased dramatically, with U.S. firms managing Cameroon's power utility and recently granted a cobalt-mining concession. Construction is proceeding on schedule on the Chad-Cameroon pipeline project, the largest U.S. investment in sub-Saharan Africa. Official corruption remained a drain on the economy.

**Rule of Law/Political Pluralism/Anti-Corruption:** While Cameroon has a viable and vocal political opposition, the pace of political reform has been slow. Government security forces have been known to obstruct political meetings and harass political opponents and journalists. Legislative and municipal elections are scheduled for June 2002. Corruption is a major problem. The government developed a good governance program in conjunction with the UNDP, and established an anti-corruption commission, which has prosecuted a few senior officials. A new Governance Observatory is charged with monitoring corruption. It has created anti-corruption cells in various ministries and has published reports. The judiciary was regarded as ineffective and subject to political influence and corruption. The Prime Minister has promised a full audit of the judicial system.

**Poverty Reduction:** In 2000, Cameroon created a program to reduce poverty and improve the living conditions of its people. This was approved by the IMF and is backed by a three-year arrangement under the Poverty Reduction and Growth Facility. Cameroon is a HIPC debt relief recipient and has worked with donors to develop ideas for development projects such as roads,

hospitals, and schools. The government needs to develop better social sector spending plans and improve the delivery of health and education services.

**Labor/Child Labor/Human Rights:** Cameroon permits workers to unionize and allows independent labor activity, including collective bargaining. There are several poorly organized but independent labor unions in Cameroon. Cameroon saw strikes in 2001 by transport workers, teachers, and others in public service and in state-owned companies, which took place without interference or incident. However, the government has sometimes worked to weaken independent trade unions. Laws prohibit forced labor and protect child workers, but both still occur. While trafficking of children is a significant issue, Cameroon is participating in a regional ILO trafficking project. Cameroon ratified ILO Convention 138 (minimum age) in 2001, and Parliament authorized the President to ratify ILO Convention 182 regarding the worst forms of child labor in March 2002. The U.S. Secretary of State has expressed concerns to the Government of Cameroon about the arrest, arbitrary detention, and harsh treatment and torture of opposition politicians, human rights activists, and other citizens. There are credible reports that security forces committed many extra-judicial killings in Douala in 2000. Cameroon was determined eligible for AGOA based on assurances from the government that it would undertake an investigation of these and other human rights abuses and punish those responsible. A few of the alleged perpetrators, leaders of a special unit of the gendarmerie, are currently under arrest, and the government has prosecuted several security officials for human rights violations. Local human rights groups report improvements, and awareness of human rights is growing. Cameroon's National Commission on Human Rights and Freedoms is government-controlled and under-funded, but manages to expose human rights abuses.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** USTR and the Commercial Law Development Program of the Department of Commerce organized a successful AGOA regional seminar in Yaounde in March 2002, which was attended by over 300 government and private sector representatives from Cameroon and the Central African region. The U.S. Embassy has conducted numerous conferences and workshops on AGOA and has traveled to each of the country's ten provinces to explain AGOA's provisions to local businesses. The Government of Cameroon has indicated an interest in receiving both technical assistance and trade capacity building support in order to carry out its trade-related functions more effectively.

## CAPE VERDE

**Status:** AGOA eligible

**AGOA Trade and Investment:** Cape Verde's duty-free exports to the United States under AGOA were valued at \$152,000 in 2001, consisting entirely of agricultural products shipped under the GSP provisions of the Act. These exports represented ten percent of Cape Verde's total exports to the United States. A Cape Verdean-Portuguese joint venture fish processing firm

made its first exports to the United States in 2001 under AGOA. Four new export-oriented garment manufacturers (Portuguese investors) began production in Cape Verde in 2001, creating 400 new jobs. Cape Verde is currently working with USTR to finalize its textile visa certification system.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Moving away from the single-party socialist state of the 1970s and 1980s, Cape Verde privatized, restructured, or liquidated most state enterprises in the 1990s. The government has instituted a liberalized trade regime and abolished import quotas and is looking for private investment to serve as an engine for economic growth. A 1993 law created loan institutions for small and medium-sized entrepreneurs. Since 1997, Cape Verde has received over \$300 million in foreign investment and attracted four additional private banks. Cape Verde has applied for membership in the WTO.

**Rule of Law/Political Pluralism/Anti-Corruption:** Cape Verde is a multiparty parliamentary democracy with an elected President and Prime Minister. The country has functioned as a full multi-party democracy since 1991, with a strong respect for human rights and constitutional rule. Free and fair elections were held in 1991, 1996, and 2001. Corruption is generally not considered to be a major barrier to foreign investment. Some counterfeit products are sold in Cape Verde. Lengthy delays in trials are common.

**Poverty Reduction:** A poverty alleviation plan was implemented in 2000 but its success has been questioned. The IMF and World Bank approved Cape Verde's interim Poverty Reduction Strategy Paper in March 2002, and in April approved a three-year, \$11 million Poverty Reduction and Growth Facility. Primary school enrollment was 99.9 percent in 1997, and secondary school enrollment was 36.6 percent. The male to female ratio in schools is nearly one to one. Due to severe droughts and lack of arable land, on average only 12.5 percent of the annual food requirements are grown in Cape Verde.

**Labor/Child Labor/Human Rights:** The Constitution of Cape Verde recognizes international core labor standards. Forced labor is prohibited, and anti-union discrimination by employers is against the law. However, the government has been able to force striking workers back to work, effectively ending the strike. The ILO Committee has observed that the right to collective bargaining is constrained by the government. Juvenile prostitution is a continuing problem, exacerbated by chronic poverty and large unplanned families. Cape Verde ratified ILO Convention 182 on the worst forms of child labor in October 2001.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** The U.S. Embassy held an AGOA seminar with Cape Verdean business and government representatives. During the past year, local newspapers have published several articles on AGOA. Although there is growing interest in AGOA within Cape Verde, the small domestic market, transport costs, reliability, and production constraints are inhibiting Cape Verdean companies from taking full advantage of AGOA. Cape Verdean businesspeople and government officials have inquired



about technical assistance that would help bring Cape Verdean products up to the standards of the U.S. market.

#### CENTRAL AFRICAN REPUBLIC

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Although the Central African Republic (CAR) is eligible for AGOA, its overall trade with the United States has historically been low. No AGOA-related trade with the United States was recorded in 2001.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** The Central African Republic has made a serious effort to accelerate reform and improve transparency, but progress is slow, due to weak capacity and resource constraints. For example, the government is moving to privatize several parastatal companies in banking, telecommunications, utilities, oil, sugar, palm oil, river and road transport, hotels, and wildlife preservation sectors. The government has begun revision of investment, mineral, and labor codes to conform to regional and international standards. Measures to strengthen fiscal management and raise government revenues through the elimination of tax evasion and fraud are needed. CAR is also in arrears to the African Development Bank. The CAR ended its Staff Monitoring Program with the IMF in March 2002 and the IMF is now evaluating its performance.

**Rule of Law/Political Pluralism/Anti-Corruption:** CAR is a constitutional democracy with a multi-party legislature. A military coup attempt in May 2001 failed. Legislative (1998) and presidential (1999) elections were considered generally free and fair but marred by irregularities that tended to favor the ruling party. Multiple political parties contested the 1998-1999 elections. The first-ever local elections are planned for November 2002. Opposition political parties have complained about lack of access to the government-owned broadcast media. There are signs of growing judicial independence, but the executive branch still interferes in the judicial system. In 2000, the government began anti-corruption efforts that have resulted in prosecution of several high-level officials. In 2002, the President established an anti-corruption commission.

**Poverty Reduction:** The CAR is working on an interim Poverty Reduction Strategy Paper (PRSP) for the HIPC initiative, but has not yet qualified for debt relief. The government has a poverty reduction strategy, which focuses on increased access to education and primary health care, but lacks the financial resources to implement it.

**Labor/Child Labor/Human Rights:** The government has expressed a desire to work with the ILO to improve its labor conditions. The right to freedom of association and collective bargaining is effectively curtailed in many instances by anti-union reprisals and violence. Unions have conducted strikes over non-payment of salaries. Despite legislation prohibiting forced labor and employment of children under 14 years old, these problems persist. The government has

ratified ILO Convention 182 on the worst forms of child labor. The country's overall human rights record remained poor, and slipped further after the coup attempt in May 2001, as members of the Presidential Security Unit committed a number of extra-judicial killings, mostly against members of the ethnic group of the leader of the coup attempt. Police also mistreat suspects and detainees, and arbitrary arrests and detention occur.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** A CAR delegation attended the March 2002 AGOA regional seminar held in Yaounde, Cameroon.

## CHAD

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Chad did not record any trade to the United States in 2001 under AGOA and no new AGOA-related U.S. investment was reported.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Chad has demonstrated a commitment to economic reform and many state-owned enterprises have been privatized. However, the important cotton, telecommunications, and energy parastatals have not been privatized. Chad has no price controls or currency restrictions. A civil service reform strategy is being implemented. The Chad-Cameroon Petroleum Development and Pipeline Project, the largest U.S. investment in Africa, will significantly increase the volume of U.S.-Chad trade.

**Rule of Law/Political Pluralism/Anti-Corruption:** Chad has made some progress since 1990 in developing democratic institutions, but progress in the past year has been disappointing. President Deby has ruled since 1990. Presidential elections in 1996 and 2001 were marred by irregularities. The 2001 election in particular was divisive, and security forces repressed peaceful demonstrations and arrested opposition leaders. The government still holds political detainees. Two anti-corruption laws have been adopted since January 2000, but have seen little enforcement; corruption and poor governance continue to constrain economic growth. The government has supported numerous capacity-building training initiatives in the legislative and judicial branches of government, which are producing results. Nevertheless, the judiciary remains subject to executive interference.

**Poverty Reduction:** The IMF and World Bank Boards approved an interim Poverty Reduction Strategy Paper (PRSP) in July 2000; the final PRSP should be finalized and approved in mid-2002. Chad may finish HIPC procedures by 2003. There is a lack of timely data on poverty. Beginning in 2004, significant oil revenues are expected to fund poverty reduction activities.

**Labor/Child Labor/Human Rights:** Chad has ratified ILO Convention 182 (worst forms of child labor). Child labor is a problem in the rural sector. The Government of Chad is

collaborating with UNICEF on a campaign against the worst forms of child labor. Laws exist under which participation in strikes is punishable by imprisonment with forced labor. Still, Chad has an active labor movement whose rights are protected by law, albeit not always enforced by government. Chad's human rights record remained problematic, with deterioration in the second half of 2001, following the election. Security forces committed extra-judicial killings, torture, beatings, and rape; arbitrary and prolonged detentions still occur. These actions are not routine or government policy. The government rarely prosecutes or sanctions members of security forces who commit human rights abuses. Freedom of expression has improved markedly since 1990, as demonstrated by private newspapers operating freely and frequently criticizing government policies and leaders.

**AGOA Outreach/Technical Assistance/Trade Capacity Building:** No significant activities to report.

#### REPUBLIC OF CONGO

**Status:** AGOA eligible

**AGOA Trade and Investment:** The Republic of the Congo's duty-free exports to the United States under AGOA were valued at \$130.2 million in 2001, consisting primarily of energy-related products shipped under the GSP provisions of the Act. These exports represented 28 percent of the Republic of the Congo's total exports to the United States. The Republic of the Congo has not yet reported significant investment activity as a direct result of AGOA.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** The Republic of Congo is a country in transition, recovering from damage incurred during civil conflicts in 1997 and 1998-99. The government is undertaking fiscal and structural reform measures. These include the rehabilitation of the energy sector, financial system, and the disengagement of the State from banks and public enterprises in key sectors like water and electricity. U.S. and French companies are interested in water and banking privatizations. Nonetheless, some problem areas remain. Customs and revenue issues for foreign companies are sometimes handled arbitrarily, and tax bills are often inflated.

**Rule of Law/Political Pluralism/Anti-Corruption:** Congo is making progress in rule of law and human rights issues since the end of the civil conflict. A new constitution has been approved, and presidential elections were held in March 2002. Legislative elections are set for later in 2002. In the March 2002 elections, the opposition either refused to participate or withdrew. The government permits opposition political parties and NGOs, including human rights organizations, to function, and there is a relatively open dialogue on public policy issues. There is a vigorous and diverse press, which is often critical of the government.

**Poverty Reduction:** Seventy percent of the population lives below the UN-established poverty level. Most of Congo's GDP is from the petroleum sector, and does not go into the pockets of the populace. The government is working with UN agencies and NGOs to create jobs and reduce poverty.

**Labor/Child Labor/Human Rights:** Congo has had strong labor laws since independence. A well-developed civil society includes a free and robust organized labor movement, with the right to strike and the ability to protest freely. Congo has not ratified ILO Convention 182 on the worst forms of child labor. However, Congo is participating in a regional program to prevent the participation of children in armed conflicts in Central Africa, which is sponsored by the ILO and funded by the U.S. Department of Labor. Many children work for their families in rural areas or in informal business activities in cities. Human rights organizations operate freely and the GOC has facilitated the work of humanitarian agencies in providing healthcare and nutritional services. Some problem areas remain. The police and armed forces have committed serious abuses, although the number of incidents and severity of these violations have been decreasing.

**AGOA Outreach/Technical Assistance/Trade Capacity building Needs:** The Republic of the Congo has not taken full advantage of AGOA. The ROC has recently expressed an increased interest in AGOA, sending ministerial-level delegations to AGOA-related conferences and seminars.

## CÔTE D'IVOIRE

**Status:** AGOA eligibility is currently under interim review. Côte d'Ivoire has not received AGOA beneficiary country designation largely because of concerns related to rule of law, human rights, political pluralism and economic reform; Côte d'Ivoire has, however, made noteworthy progress in these areas.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Côte d'Ivoire's open economy is based on free markets and private property rights. It has one of the most highly-developed economies on the continent. It is the third-largest economy in sub-Saharan Africa and has one of the highest per capita incomes. In recent years, the privatization of several important parastatals (water, electricity, telecommunications) has greatly reduced the government's direct role in the economy. By the end of 2002, the government plans to go forward with the privatization of the national oil refining company, the government's internal bank, and the national sugar company as well as textile, transport and telecommunications companies in which it is a minority stockholder. The government invites foreign investment, having revised investment codes in recent years. There are no significant limits on foreign investment, nor are there systematic differences in the treatment of national and foreign investors. There have been several disputes involving U.S. companies against the government or private local firms in the past year, but government and court actions have worked to help make progress in resolving

these. As a result of recent negotiations with the Government of Côte d'Ivoire (GOCI), a cellular licensing fee issue with a U.S. company was resolved. The GOCI also held high-level negotiations and meetings with other U.S. companies involved in commercial disputes in the country. The GOCI agreed to review the judicial system and pursue recommendations for reform, and is restructuring its Ministry of Agriculture to address needed reform in the agriculture sector. The GOCI is also supporting a protocol developed by the U.S. Chocolate Manufacturers Association to address forced child labor in the cocoa sector. Ivorian law generally provides protection for intellectual property and draft legislation will reportedly make it fully compliant with TRIPS. There has been some backsliding in market reforms in the agricultural sector, but the government has reached agreement on a new IMF program.

**Rule of Law/Political Pluralism/Anti-Corruption:** A formal process of national reconciliation attempting to heal the political, social, and ethnic divisions that affected Côte d'Ivoire in 1999 and 2000 has been underway since fall 2001, with participation from a broad range of Ivorian society, including all of the country's "big four" political leaders. Participants in the process reached agreement on key issues like national identity cards and funding of political parties. An independent press, media, and multiple political parties are allowed to express their views. Despite the ouster of the military regime, the October presidential and December legislative elections in 2000 were both flawed; the March 2001 municipal elections were generally seen as free and fair. Local elections are planned for July 2002. Widespread corruption and the lack of transparent and accountable governance impede economic growth. The government acknowledges the need for judicial reform, but there has been little progress.

**Poverty Reduction:** The government has been working on a Poverty Reduction Strategy since early 2001, in conjunction with the World Bank and the African Development Bank. It is expected to focus on decentralization, good governance, private sector development, promoting women, and enhanced regional integration.

**Labor/Child Labor/Human Rights:** Internationally recognized workers' rights, including the right to organize and bargain collectively, are generally respected, although enforcement of labor laws is sometimes a problem. There are several active unions in the private and public sector. Forced labor is officially prohibited. The government recognizes that children work in agriculture, the informal sector, and as domestics, but maintains that most work in family enterprises. The government has approved studies regarding child labor in cocoa production. Côte d'Ivoire ratified ILO Convention 182 and Convention 138 in March 2002, and is drafting legislation to bring the law into conformity with ILO conventions. Authorities arrested several suspected child traffickers and repatriated several hundred children under an accord it signed with Mali in 2000. The government has reopened the investigation into the political violence of 2000 and early 2001. A military court in late 2001 found insufficient evidence in a case against eight gendarmes accused of extra-judicial killings, the only trial to date stemming from the political violence. There are still problems with extra-judicial killings, arbitrary arrest and

detention, and beatings by security forces, although these decreased significantly over the previous year.

#### DEMOCRATIC REPUBLIC OF THE CONGO

**Status:** Not AGOA eligible: The Democratic Republic of the Congo did not receive AGOA beneficiary country designation largely because of concerns related to economic reform, the rule of law, labor and human rights.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Since August 1998, the Democratic Republic of the Congo (DROC) has been devastated by war; a cease-fire is in effect but the economic situation remains dismal. The United States has a bilateral investment treaty (BIT) with the DROC. The government implemented economic reforms starting in May 2001; inflation has been stabilized, oil prices have been liberalized, and the government is courting foreign investment. DROC has a new investment code that is transparent and equitable. However, war and foreign occupation, rampant corruption exacerbated by low public sector wages, and outdated laws, contribute to a weak investment climate. The government has frequently interfered in business activities, including frequent harassment of foreign companies and their representatives. The government has signed international accords dealing with intellectual property protection but enforcement has been lax to non-existent. There are two outstanding expropriation claims by U.S. citizens.

**Rule of Law/Political Pluralism/Anti-Corruption:** The government has sweeping powers to make political arrests, and minorities and dissenters are frequently the targets of violent attacks and imprisonment without due process; however, the incidence of arbitrary arrests and cases of torture have been less frequent. Respect for freedom of speech and the press has improved but problems remain. The government has lifted a ban on opposition political parties, although some groups still encounter difficulties in organizing. There were instances of harassment, intimidation, arbitrary arrest, and detention of members of the media, human rights NGOs and political opposition. The judiciary is subject to executive influence and suffered from lack of resources. The Inter-Congolese Dialogue ended April 19 without an inclusive agreement on a democratic transition process.

**Poverty Reduction:** Poverty is widespread and almost all government expenditures go toward government employee wages. Physical infrastructure is in serious disrepair, financial institutions have collapsed and public education and health have deteriorated. Per capita income has decreased approximately 20 percent since 1998. The lack of political control over large parts of the country makes any poverty reduction efforts by the government difficult. The government has drafted a Poverty Reduction Strategy Paper.

**Labor/Child Labor/Human Rights:** Government forces repeatedly detain labor activists. The Constitution prohibits forced labor. Labor law sets the minimum age for employment at 14 years. The Ministry of Labor is responsible for enforcing the labor laws, but does not make an effort to enforce child labor laws. The government ratified ILO Convention 182 (worst forms of child labor) and 138 (minimum age) in June 2001. There were reports of forcible conscription by the government as well as forced labor by government allies. The government has demobilized some child soldiers, and has committed to end the practice of recruiting child soldiers. It also gave UNICEF access to military camps to study this issue. There has been progress on human rights issues in areas controlled by the government, but significant problems remain.

## DJIBOUTI

**Status:** AGOA eligible

**AGOA Trade and Investment:** Djibouti did not record any trade to the United States in 2001 under AGOA and no new U.S. investment was reported.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Djibouti's economy continues to be based on trade through its port. The government is seeking investors for a major port expansion project. Privatization is a priority. In September 2001, Djibouti adopted a national strategy for privatization, focusing particularly on telecommunications, utilities and transport (the airport). Djibouti also established a national agency to promote investment and assist potential investors. Parliament passed legislation strengthening existing legal protections for intellectual property in January 2002. Citizens are free to pursue private business interests, and there are no restrictions on movement of capital. The Djibouti franc is tied to the U.S. dollar. Djibouti is in mid-phase of an IMF structural adjustment program. Tax and banking reforms have been implemented. Djibouti offers significant incentives to the private sector, encourages foreign investment (the government has established an agency to encourage and assist investors), and has an open trade regime. The entire country was made a free trade zone in 1995. In an effort to promote regional economic development, the government gave full autonomy to Djibouti's five districts in May 2001.

**Rule of Law/Political Pluralism/Anti-Corruption:** The government has improved its record but harassment and detention of the political opposition still occurs. The government established an office of accountability in September 2001; its mandate is to fight against corruption and promote transparency within public finance, but corruption remains a factor. The April 1999 elections were considered generally fair. Several political parties are recognized. In May 2001, the government signed a second agreement with the leading opposition party, putting an end to all hostilities in the northern regions. The conduct of the upcoming general elections, planned for December 2002, will provide some indication of the success of efforts to promote transparency and political pluralism. The President has committed to improve democratization, good

governance, and the rule of law. Although the constitution provides for an independent judiciary, it is not independent in practice.

**Poverty Reduction:** According to the most recent official statistics available (1996), 45 percent of Djibouti's population lives in poverty. There is a general consensus that the rate has grown much higher since 1996. An IMF Structural Adjustment Agreement includes a three-year poverty reduction strategy into which the government has placed great resources. However, a three-year drought has led to an increase in poverty and malnutrition. Malnutrition has increased from 24 percent to 30 percent in the last three years. The government recently published a five-year national plan aimed at rebuilding social and health services. The plan also outlines a strategy for fighting HIV/AIDS.

**Labor/Child Labor/Human Rights:** The labor code, currently being revised by the government, in conjunction with the private sector, prohibits all forced or compulsory labor, including by children, and is generally observed under ILO auspices. The government dismissed union leaders and conducted new elections. The ILO protested the move and new elections will be held in July 2002 with ILO observers. The labor law also prohibits labor by children under age 14, but laws are not enforced effectively. Children are generally not employed for hazardous work. Djibouti has not ratified ILO Convention 182 on the worst forms of child labor. Under the Constitution, workers are free to join unions and to strike, but the government interferes with these rights and police have arrested striking workers. The ILO has repeatedly criticized the government's actions. Labor union elections are scheduled for July 2002; the government has pledged to guarantee the transparency of those elections. There are instances of abuses by government security forces.

**AGOA Outreach/Technical Assistance/Trade Capacity Building:** No significant activities to report.

## EQUATORIAL GUINEA

**Status:** Not AGOA eligible: Equatorial Guinea did not receive AGOA beneficiary country designation largely because of concerns related to economic reform, rule of law, political pluralism, labor and human rights.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Major oil discoveries are the reason for Equatorial Guinea's recent dramatic economic growth and increased U.S. investment. Nonetheless, the majority of Equatoguineans still live by subsistence agriculture. It is also making progress in developing the country's institutions, laws, and infrastructure. The government is making efforts to liberalize trade regulations and lower tariffs to conform to the Central African Economic and Monetary Community (CEMAC) codes. There is an investment code that provides basic legal protections to investors. Among Equatorial



Guinea's major problems are undeveloped institutions, poor fiscal discipline, and a corrupt judiciary.

**Rule of Law/Political Pluralism/Anti-Corruption:** Elections have not been free and fair. The government has harassed political opponents and, in March 2002, arrested several opposition activists. The media remains firmly under government control. The government is attempting to modernize its institutions and legal codes. Official corruption remains a significant problem, although the government has adopted a code of ethics for civil servants prohibiting corrupt activities. The Minister of Justice oversees a commission that investigates allegations of government corruption.

**Poverty Reduction:** The government has undertaken modest poverty alleviation and infrastructure projects. For example, the government used oil revenue to establish a national university, purchase medicine, and recruit qualified foreign doctors. However, much of the oil revenue remains unaccounted for. The government is developing a poverty reduction strategy, and is working with various donors to develop social welfare programs. The government reports that 12 percent of its revenues for 2001 were spent in health, education, and social welfare. The government encourages foreign investors through tax credits to hire and train Equatoguineans. The government has spent \$2 million over recent years to reduce HIV infection and reduce the vulnerability of at-risk groups, and is now spending \$10 million a year on HIV/AIDS prevention.

**Labor/Child Labor/Human Rights:** Despite some statements on improving respect for human and labor rights, the government's overall record remains poor. The government has allowed the International Red Cross to visit prisons. Equatorial Guinea ratified six ILO conventions in 2001, including Convention 182 on the worst forms of child labor, but there is still child labor, primarily in the informal sector, on family farms, and in street vending. In 2001, the government passed legislation legalizing trade unions, recognized an agricultural labor union, and eliminated the requirement that all workers had to belong to the ruling party. However, only one union has been registered, others have been denied registration, and one union founded in 1990 still must operate in secret. Labor legislation does not recognize the right to strike, collective bargaining, or the right to join international organizations, and does not protect workers from anti-union discrimination. In mid-2001, the Government agreed to participate in a DOL-funded ILO project to address worker rights problems. Government security forces have committed serious human rights violations, including torture, intimidation and arbitrary arrest.

## ERITREA

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Eritrea did not record any trade to the United States in 2001 under AGOA and no new U.S. investment was reported. The Eritrean Government is now in the process of applying for textile and apparel benefits under the Act.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Although one of the world's poorest countries, Eritrea has made modest economic reforms. The Government has stated that it is committed to a market economy. However, the government and ruling party continue to exert a dominant influence on the economy, and the war with Ethiopia slowed down the pace of economic reform. Eritrea joined the World Intellectual Property Organization in 1997, but intellectual property rights protections are still inadequate. Although there is no harmonized tariff system, Eritrea has lowered tariffs, liberalized exchange controls, and is working with the World Bank on an export promotion program.

**Rule of Law/Political Pluralism/Anti-Corruption:** National elections, scheduled to take place in 1998, were postponed due to the outbreak of the war with Ethiopia, and have yet to be re-scheduled. The Constitution, ratified in 1997, provides for democratic freedom but its provisions have yet to be implemented. The ruling party, the People's Front for Democracy and Justice, is still the country's sole political party. In the fall of 2001 the government shut down the independent press. At the same time, it arrested a number of journalists, editors and prominent political dissidents, all of whom it still holds without charges. The government also arrested two Eritrean employees of the U.S. Embassy, who have been held without charges since October 2001. Corruption, is not a major problem, although the judiciary appears weak and subject to executive influence.

**Poverty Reduction:** Poverty is widespread in Eritrea, encompassing about 80 percent of the population. Eritrea has poverty reduction, school-building, health, and infrastructure development programs in place, and it made progress toward improving living standards since independence in 1993. Despite scarce resources, exacerbated by the strain of maintaining a very large army, the government is committed to poverty reduction and spending on health and basic education. Eritrea is working closely with aid donors and NGOs to design and implement poverty reduction programs. With progress in the peace process with Ethiopia, the government should be able to devote more resources to poverty reduction.

**Labor/Child Labor/Human Rights:** There are no government restrictions regarding the formation of unions, including within the military, the police, or other essential services. The Constitution prohibits forced or compulsory labor, including that performed by children. However, high school and college students are required by the government to participate in paid summer work programs. Some national service inductees are allowed to work at their civilian jobs even while nominally members of the military. They are supposed to forfeit any payments in excess of their military pay to the government. The legal minimum age for employment is 18 (apprentices may be hired at 14). Nevertheless, large numbers of children work in rural areas, usually on the family farm or in herding. In cities, some children work in manufacturing or in the

informal sector. There are insufficient numbers of government inspectors to adequately enforce the child labor laws. The Government has ratified seven basic ILO conventions, but has not ratified ILO Convention 182 on the worst forms of child labor. The government's overall human rights record has grown worse over the past year.

**AGOA Outreach/Technical Assistance/Trade Capacity Building:** Officials from the U.S. Embassy have made presentations on AGOA to government officials and before the media and business groups. The Embassy has also provided guidance to the government on its application for AGOA textile and apparel benefits. Two Eritreans in the leather industry participated in a State Department International Visitor Program on AGOA in July 2001.

## ETHIOPIA

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Ethiopia's duty-free exports to the United States under AGOA were valued at \$822,000 in 2001. One local firm has begun exporting apparel to the United States, and others have plans to do so.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** The government is committed to market-led growth and made considerable progress in stabilizing and liberalizing its economy before the 1998-2000 war with Eritrea. From 1994-99 Ethiopia undertook a structural adjustment program that resulted in numerous monetary and fiscal reforms, including some privatization of banks and insurance companies, introduction of a liberalized foreign exchange regime, enactment of a revised investment code, and decreases in customs duties. Since the war ended, the government has resumed economic reforms. Ethiopia has allowed limited foreign participation in the energy and telecommunications sectors. The investment office has clarified investment rules, simplified review and approval procedures and has a one-stop center to assist investors. The investment code guarantees free transferability of dividends, loan repayments, and capital, provides for compensation for expropriation, eliminates deposit requirements for investors, provides incentives for priority investments, reduces capital entry requirements for joint ventures, and permits duty-free entry of capital goods. Export taxes for all goods except coffee have been eliminated. The government has a monopoly over utilities, but partial privatization of the telecommunications sector is underway. Foreigners are not allowed to invest in some sectors, such as banking, insurance, and transport. The government is working on a revised commercial code with better protection for intellectual property. Despite reductions, tariffs are high and the customs bureaucracy is cumbersome and inefficient.

**Rule of Law/Political Pluralism/Anti-Corruption:** In 1991, Ethiopia overthrew a communist dictatorship and began a process of democratization. Two relatively free and fair general

elections have been held since then, and Ethiopia has made substantial progress in building democratic institutions, independent labor unions and political organizations. The government is organized around the concept of ethnic federalism and the regions are becoming increasingly autonomous with a large degree of local control over fiscal and most political issues. The judiciary is weak and overburdened but demonstrates signs of independence. Corruption is a problem but the government is attempting to combat it. The government set up an anti-corruption commission in 2001.

**Poverty Reduction:** Ethiopia ranks among the poorest countries in the world. Poverty alleviation has been the number one priority of the government. There has been excellent participation in the Poverty Reduction Strategy Paper process; the paper should be finished by June 2002. Military spending has dropped since the end of the war, and the government is redirecting expenditures to poverty reduction and human capacity building. Primary education enrollment doubled from 1995 to 2001, but schools are inefficient and low quality; inadequate facilities and scarce resources are major problems. The government has a new education program intended to improve the quality of education and promote social equality by narrowing gaps in access based on sex, region, and urban/rural areas.

**Labor/Child Labor/Human Rights:** Eighty percent of Ethiopians work in agriculture, with children often working alongside parents. In urban areas, children are found working as domestic workers, street peddlers, and as employees in private enterprises. The ILO has established that child soldiers are not currently a problem in Ethiopia. Although Ethiopia has not yet ratified ILO Convention 182 on the worst forms of child labor, it has enacted most ILO core standards into law. The Constitution provides most workers the right to form and join unions and to strike. There is an active tripartite dialogue among the government, unions and employers' associations. Some areas of concern remain. The Ethiopian government has promised the ILO since 1994 that it would review and reform its labor legislation. Ethiopia's human rights record is poor; however, progress is being made in some areas. Security force members have committed extra-judicial killings, reportedly beat and mistreated detainees, and practice arbitrary arrest and detention. The Prime Minister is committed to establishing a human rights commission, and a human rights ombudsman should be selected by July 2002.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** In July 2001, a delegation from USTR, Customs, and the Department of Commerce conducted an AGOA workshop in Ethiopia, with a special focus on the textile and apparel provisions of the Act. Ethiopian representatives also participated in the AGOA regional seminar held in Uganda in March 2002. U.S. Embassy officials have traveled widely in-country to promote AGOA and have assisted government officials to obtain information on sanitary and phytosanitary standards. The Ethiopian Chamber of Commerce is providing training on AGOA to small and medium sized businesses. Ethiopia could benefit from technical assistance and training related to global market competitiveness issues, customs valuation, and measures to liberalize the telecommunications sector.

## GABON

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Gabon's duty-free exports to the United States under AGOA were valued at \$938.8 million in 2001, almost all of which were oil or energy-related products. These exports represented 54 percent of Gabon's total exports to the United States. No AGOA-related investment was reported.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Gabon has one of the highest per capita incomes in sub-Saharan Africa, owing in large part to its small population and substantial oil wealth. The state controls much of the economy, including oil refineries, telecommunication, and timber export. However, it has made progress in privatizing other industries. The production of oil, wood, and minerals is largely private, and water, electricity, railroad, and sugar parastatals have been privatized. The telecom parastatal will be privatized in 2003, and other government-owned industries are in various states of privatization. Government financial mismanagement and corruption have blemished the country's international image and contributed to significant arrears in external and domestic debt payments. Gabon's investment regime provides for liberalized and streamlined procedures, and for equal treatment of domestic and foreign investors. However, a lack of transparency, widespread corruption, and large vested interests hinder Gabon's economic management.

**Rule of Law/Political Pluralism/Anti-Corruption:** The December 2001 elections were marked by organizational flaws and other irregularities. There are several political parties, but the ruling party controls most government bodies. Weak public sector financial management facilitates corruption. In 2001, the government initiated measures to improve transparency in financial systems, at the urging of the IMF. The legislature has considered anti-corruption bills, but has not passed final legislation. The judiciary is subject to political interference.

**Poverty Reduction:** Gabon has committed to allocate 20 percent of its investment budget to education and health care, but it has not yet met that target. Literacy and life expectancy are lower in Gabon than in countries with comparable incomes. In 2001, the government drafted its first Poverty Reduction Strategy Paper (PRSP) that, while having several weaknesses, could provide the basis for improved anti-poverty efforts. With the end of the IMF program, however, it is unclear to what extent the PRSP will be incorporated into the government's policies.

**Labor/Child Labor/Human Rights:** The Constitution places no restrictions on the right of association, and recognizes the right to form trade and labor unions. Virtually the entire private sector workforce is unionized. Collective bargaining is allowed at the industry level, but not within individual firms. The ILO has expressed concern about government actions that suspended certain trade union activities and imposed sanctions for striking. Child labor laws are

rigorously enforced with respect to Gabonese children, and there are few citizens under age 18 in the wage sector. Gabon ratified ILO Convention 182 (worst forms of child labor) in 2001. However, trafficking in children remains a serious problem; Gabon is a destination country for trafficked children from West African countries. The government hosted a regional conference on trafficking in February 2001, is working with UNICEF and the ILO to address the issue, and designated focal points in each ministry with relevant responsibilities. Gabon is also considering amending its national legislation to deal directly with trafficking, and is developing a plan to rehabilitate victims of trafficking. There are isolated rule of law problems and security force abuses, and in 2001 there was one credible report of an extra-judicial killing by a member of the security forces.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** U.S. Trade and Development Agency and Export-Import Bank representatives visited Libreville several times in the past year to discuss possible trade and investment opportunities. In March 2002, an Export-Import Bank representative presented a one-day seminar on trade and financing. The Trade Ministry sent a representative to the regional AGOA seminar held in Yaounde, Cameroon in March 2002.

#### THE GAMBIA

**Status:** Not AGOA eligible: The Gambia did not receive AGOA beneficiary country designation largely because of concerns related to political pluralism and human rights, and credible evidence from United Nations investigations of government involvement in the illicit conflict diamonds trade.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** The Gambia has undertaken an extensive structural adjustment reform program designed to create a better commercial environment for the private sector. Plans include increasing private sector participation in airport, port, and telecommunications operations, the adoption of a privatization law, and the creation of a regulatory agency to facilitate privatization. The World Bank and the Gambia have a joint project to encourage private sector-led growth and foster new foreign and domestic investment, including establishing Free Trade Zones. A new commercial chamber has been created in the High Court to simplify and expedite bankruptcy cases. The government announced plans to simplify the tariff structure and reduce import rates, and has put into place a system to ensure more efficient and flexible international commercial transactions. The Gambia is a member of the West African Second Monetary Zone. The Gambia is a member of the World Intellectual Property Organization, a signatory to the Paris and Berne Conventions, and is a member of the WTO. Prosecution of counterfeiters appears sporadic.

**Rule of Law/Political Pluralism/Anti-Corruption:** The President was re-elected in October 2001, in elections that were judged to be relatively free and fair, despite some irregularities. In

response, the United States normalized relations and lifted sanctions placed on The Gambia after the military coup that brought the President to power in 1994. The government also lifted its ban on pre-coup political parties in July 2001, and in December 2001 offered to allow the previous President to return from exile. Opposition politicians and journalists have been subject to arbitrary arrest and detention. Freedom of assembly is restricted, and the press, while sometimes critical of the government, practices self-censorship. Corruption is prevalent.

**Poverty Reduction:** In conjunction with the IMF, the government recently finalized a second Strategy of Poverty Alleviation (SPA) after a year of extensive consultations. The SPA aims to eradicate poverty by encouraging economic growth and reducing income inequalities. The program also recognizes the importance of health, education, and gender issues in poverty alleviation.

**Labor/Child Labor/Human Rights:** Although Gambian labor laws give private sector workers the right to bargain collectively, prohibit forced or compulsory behavior, and codify acceptable work conditions, concerns remain about the government's commitment to respect the right of assembly and the right to bargain collectively. An ombudsman's office provides an avenue for government employees to appeal their termination and seek redress for unfair personnel actions. Government intervention in labor disputes is not common, but occurred in one case in 2001. The Gambia has ratified both ILO Convention 138, on the minimum age, and 182 on the worst forms of child labor. Gambian law prohibits child labor, but children work on family farms in rural villages and in urban areas. The Gambia is a destination for children trafficked from West and Central Africa. Occasional abuses by security forces, include beatings and arbitrary arrests.

## GHANA

**Status:** AGOA eligible, including apparel and textile benefits

**AGOA Trade and Investment:** Ghana's duty-free exports to the United States under AGOA were valued at \$42.9 million in 2001, consisting primarily of energy-related products. These exports represented 23 percent of Ghana's total exports to the United States. A U.S. firm has announced plans to establish a sock factory, and other companies are considering apparel projects in Ghana. Another U.S. firm is building a food-processing plant to take advantage of AGOA. A major Ghanaian furniture manufacturer is planning to enter the U.S. market under AGOA.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Ghana has a market-based economy with few barriers to trade, and is the sixth-largest market for U.S. exports in sub-Saharan Africa. "Special taxes" on various imports were either reduced or eliminated in 2001. More than two-thirds of Ghana's parastatals have been privatized, and the government plans to privatize several more. Private property rights are protected by law, though disputes over land ownership are common. A commercial court system expedites decisions on trade and

commercial cases. The government is drafting new intellectual property rights legislation for introduction to Parliament in 2002. Ghana has a Trade and Investment Framework Agreement (TIFA) with the United States. In several ongoing cases, the Government of Ghana has failed to pay U.S. companies for goods and services.

**Rule of Law/Political Pluralism/Anti-Corruption:** The current government took office in January 2001, marking the first peaceful democratic transition from one political party to another in Ghana's history. Ghana generally respects the right to due process, although lengthy pre-trial detentions and corruption are problems. The high court ruled against the government's use of fast-track court procedures in 2002, a decision now under appeal. The judiciary has ruled against the government in at least one case involving a trade dispute with an American firm. However, the integrity of the legal system is compromised by a severe lack of financial, human, and material resources. Freedom of press and assembly are routinely observed. Ghana established a Serious Fraud Office in 1997 to expose and prosecute official corruption, and the government continues to pursue a "zero tolerance" policy on corruption.

**Poverty Reduction:** Ghana qualified for interim HIPC debt relief in 2001, and has committed to spending 80 percent of the debt relief it receives on poverty reduction. The government worked with civil society to draft a Poverty Reduction Strategy that has been endorsed by the donor community. Ghana's "Vision 2020" plan for raising living standards in order to become a middle income country over the next two decades is the cornerstone of its efforts to reduce poverty. The government allocates about nine percent of its recurrent budget to health care and has introduced mandatory fee exemption policies for the poorest to improve universal access to health services. The Free Compulsory Universal Basic Education program is a long-term initiative designed to ensure that education remains at the core of Ghana's national development plan.

**Labor/Child Labor/Human Rights:** The government has made combating child labor and trafficking a high priority, and has taken a leadership role on this issue in the region, hosting an ECOWAS conference on trafficking in persons in October 2001. Ghana has ratified ILO Convention 182 on the worst forms of child labor, and has a Ministry of Women's and Children's Affairs that focuses on boosting school attendance and reducing child labor. The law sets the minimum age for employment at 15, but is rarely enforced. The national steering committee for the International Program for the Elimination of Child Labor has developed an action plan to eliminate child labor in Ghana. The DOL is providing support and resources for Ghana's participation in the ILO's International Program on the Elimination of Child Labor. Ghana still needs to bring its overall labor legislation into conformity with ILO conventions; it maintains a law that makes a legal strike almost impossible. Despite serious human rights abuses by police, including beatings, arbitrary arrest, and detention, the government has made improvements in its human rights practices. Police training on the use of non-lethal force has reduced the number of killings and serious injuries at demonstrations.



**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** The U.S. Embassy has carried out extensive AGOA outreach activities, including public speeches, broadcast media interviews, and the establishment of an AGOA help desk. USAID has provided support to Ghanaian entrepreneurs on understanding AGOA and the U.S. market. Additionally, USAID has organized workshops and seminars. The U.S. Trade and Development Agency sponsored a delegation of Ghanaian apparel manufacturers to the United States to identify and source apparel manufacturing equipment. Ghana could benefit from further practical training on phytosanitary regulatory issues, labeling requirements, and customs procedures.

## GUINEA

**Status:** AGOA eligible

**AGOA Trade and Investment:** Guinea's duty-free exports to the United States under AGOA were valued at \$191,000 in 2001, consisting primarily of forest products shipped under the GSP provisions of the Act. These exports represented less than one percent of Guinea's total exports to the United States. New AGOA-related trade and investment has been limited in Guinea despite enthusiasm for AGOA.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Guinea has a market-based economy with an investment code, which guarantees rights to all to undertake any economic activity, and is open to direct foreign investment. Guinea eliminated price controls in the 1990s and has undertaken reforms of tax and customs systems. The land tenure code of 1996 provides a legal basis for land ownership. The government is disengaging from productive commercial activities through an ongoing privatization program. New laws bringing Guinea into compliance with TRIPS came into effect in March 2002. There are no major barriers to foreign investment and trade.

**Rule of Law/Political Pluralism/Anti-Corruption:** Guinea is a constitutional government in which effective power is concentrated in a strong presidency. Although the 1998 presidential elections were more fair and transparent than in 1993, there were widespread irregularities that favored the incumbent. A national referendum in November 2001, marked by a lack of transparency and government harassment of the opposition, extended the term of the president and allowed unlimited re-election. Legislative elections, postponed since 2000, are currently set for some time in June 2002, and the government created an autonomous electoral commission. A prominent political prisoner (Alpha Conde) was released in May 2001. The justice system appears to provide inadequate guarantees of fairness and safety to suspects and prisoners. In response to concerns about this, the government agreed to initiate reforms in the justice and penal systems. The Ministry of Justice started a nationwide daily-review system to track investigations with the goal of monitoring the time an accused suspect spends in pre-trial detention and has begun other measures to improve on providing suspects a speedy and fair trial. The United

States is urging progress on reducing pre-trial detention, improving the prisons, and making security personnel accountable for their actions towards civilians. While the print media is largely free, there is no private electronic media and radio. The government has created a national anti-corruption committee and promised the IMF it would reform the mining sector supervisory body as well as conduct audits of the water, electricity, telephone and port authorities. Corruption remains a major problem; enforcement of anti-corruption laws is irregular and inefficient.

**Poverty Reduction:** Guinea is working with the IMF and World Bank to meet the benchmarks of its Poverty Reduction and Growth Facility. Guinea finalized a Poverty Reduction Strategy Paper in early 2002. Construction of more than 3,000 new community health centers has improved health service delivery, but progress in improving education has been slow.

**Labor/Child Labor/Human Rights:** The Labor Code specifically forbids forced or compulsory labor, and there is no evidence of its practice. The Constitution provides the right to form independent labor unions. The Labor Code allows unions to engage in collective bargaining and to negotiate with employers. Minimum age for employment is 16, but child labor remains problematic, particularly in the informal sectors (subsistence farming, petty commerce, small-scale mining). Guinea is finalizing its ratification of ILO Convention 182 on the worst forms of child labor. The U.S. shares ILO concerns that labor standards in the country are not comparable to international labor standards in areas such as forced labor, discrimination in employment and anti-union discrimination. There have been problems with human rights abuses committed by members of the security forces, but there has been improvement over the past year. Guinea is host to thousands of refugees from Sierra Leone and Liberia, and has seen significant improvement in its treatment of refugees.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** The U.S. Embassy has actively promoted AGOA. It has provided training to help increase U.S.-Guinean business linkages, including a "Made In the USA" seminar, Internet training, customs regulations resource training, and a seminar on agricultural issues. Guinea's government and business community need training on a variety of levels. Practical training is needed on agricultural sanitary and phytosanitary standards. Assistance is also needed in establishing an effective AGOA textile and apparel visa system. Guinea's producers are unable to ensure consistent quality and quantity of their production and this deters them from making gains in the U.S. market. Some producers are addressing this through the formulation cooperatives.

#### GUINEA-BISSAU

**Status:** AGOA eligible

**AGOA Trade and Investment:** Guinea-Bissau did not export to the United States under AGOA in 2001.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Over the past four years, all of the governments of Guinea-Bissau (which has undergone a succession of rebellions and a coup d'etat) have supported the transition to a market economy. Since 1997, Guinea-Bissau has implemented trade reforms and liberalized prices. The state no longer dominates the commercial sector. Guinea-Bissau has abolished state marketing boards, privatized some companies, and ended price controls. The privatization program is continuing, and a new investment law was adopted to facilitate private economic activity. Although intellectual property laws exist, enforcement is ineffective.

**Rule of Law/Political Pluralism/Anti-Corruption:** The country adopted a pluralistic constitution in 1991, paving the way for democratic rule. Elections were held in 1994 and (following a civil war and a coup d'etat) in 2000. The latest elections were considered generally free and fair, but the elected government, an enthusiastic supporter of free-market liberalization, remained under the threat of military interference. Guinea-Bissau has anti-corruption laws, but anti-corruption efforts are sporadic and uncoordinated. The judiciary is subject to political influence and corruption.

**Poverty Reduction:** Guinea-Bissau has not yet adopted a poverty alleviation strategy but is preparing one. The government has implemented some new health programs.

**Labor/Child Labor/Human Rights:** Guinea-Bissau has not ratified ILO Convention 182 against the worst forms of child labor and lacks legal protection for the right to collective bargaining. Guinea-Bissau, to date, has not ratified either Convention 87 or 98, two fundamental ILO workers' rights conventions. The government has also had some problems concerning human rights. Security forces have reportedly committed abuses, including beatings and arbitrary detention.

**AGOA Outreach/Technical Assistance/Trade Capacity building Needs:** No significant activities to report.

## KENYA

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Kenya's duty-free exports to the United States under AGOA were valued at \$58.9 million in 2001, nearly 90 percent of which was in the apparel sector. These exports represented 46 percent of Kenya's total exports to the United States. Kenyan exports to the U.S. increased markedly in 2001 over 2000, especially in textiles and apparel. Three closed

garment factories re-opened, and six new firms were established. Kenya's Trade and Industry Minister says AGOA has created \$13 million in investment and 20,000 new jobs. Other products that have seen significant export growth under AGOA include horticultural produce, handicrafts, and fish products.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Since 1993, Kenya has made slow but continual progress in implementing free market reforms, including protection of private property. During this period, Kenya ended foreign exchange and price controls, lowered tariffs, and privatized 168 out of 207 state-run companies. Since 1996, however, the pace of reform has slowed, particularly with respect to privatization; the privatization of the telecommunications parastatal has stalled. A law that would re-impose government controls on interest rates has not been enacted due to a High Court ruling against its retroactive implementation. Corruption remains one of the most serious constraints on the economy.

**Rule of Law/Political Pluralism/Anti-Corruption:** Kenya has been a multiparty democracy since 1992. However, harassment of opposition politicians, NGOs, and critical newspapers remains a problem, and serious violence marred the last two general elections. The Constitution guarantees an independent judiciary, but the courts suffer from corruption and executive branch influence. Recent laws strengthened the Parliament, and an ongoing Constitutional Review may bring further changes, although it will not meet its October 2002 deadline for preparation of a draft new constitution. The government has significantly reduced its domination of broadcast media in the past few years. Kenya has failed to establish an effective system to combat serious and pervasive corruption and bribery since the Kenyan Anti-Corruption Authority was ruled unconstitutional in December 2000. The Attorney General tabled a draft Corruption Control Bill in Parliament April 16, 2002, but it is too soon to know its effectiveness.

**Poverty Reduction:** Kenya launched its Poverty Reduction Strategy Paper in March 2002, but there is no formal linkage between this and the budget process. Excluding wage bills, the budget devotes 2.9 percent to health care and 2.7 percent to education. According to the government, 56 percent of Kenyans live on less than \$1 a day, up substantially from 2000.

**Labor/Child Labor/Human Rights:** Kenya has strong labor laws, however, enforcement is problematic. A de-registered labor union for civil servants was allowed to re-register in December 2002. The law protects fundamental worker rights, but workers face de facto restrictions to forming unions in the export processing zones. Some laws regarding emergency labor were found to be in contravention of ILO provisions on forced labor and freedom of association. Kenya formed a task force in June 2001 to ensure Kenyan labor law is AGOA-compliant; the task force has already identified a problem concerning safety standards in export processing zones that the government is moving to fix. Child labor is a serious problem, especially in subsistence farming and fishing. The government has taken steps to combat the worst forms of child labor, including ratifying ILO Convention 182 in 2001, enacting a

Children's Act in December 2001, and setting up a Child Labor Division in the Ministry of Labor. Kenya is a member of the ILO's International Program on the Elimination of Child Labor and participates in an ILO regional project to address child labor in commercial agriculture. Laws safeguard freedom of the press and of assembly, and protect against torture. Kenya has made significant progress in human rights, but the government's human rights record is uneven. The government sometimes restricts freedom of assembly by requiring notification of public meetings or by disrupting them. Journalists suffer occasional harassment. Security forces are poorly trained, use excessive force and sometimes torture or even kill suspects and detainees.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** U.S. Embassy officials, including the Ambassador, have met with scores of Kenyan business groups and companies interested in exporting under AGOA. The Embassy also sponsored an AGOA-related speaking tour by a U.S. private sector expert on U.S.-Africa trade. AGOA has featured heavily in programs managed by the USAID regional mission in Nairobi. AGOA was the catalyst in the formation of the first African chapter of the Organization of Women in International Trade, which the USAID mission helped to facilitate. Over 50 Kenyan private sector representatives and government officials attended the March 2002 AGOA regional seminar in Uganda. In order for Kenya's apparel sector to continue benefitting from AGOA, it must revitalize its domestic cotton ginning and spinning operations. The Kenyan government is in the process of requesting a feasibility study from the U.S. Trade and Development Agency on replacing obsolescent gins and rejuvenating the sector. In order to expand the benefits of AGOA beyond the apparel sector, Kenya will need assistance in developing a pest risk assessment program, in conformity with USDA guidelines, for each agricultural export commodity.

## LESOTHO

**Status:** AGOA eligible, including for textile and apparel benefits

**AGOA Trade and Investment:** Lesotho's duty-free exports to the U.S. under AGOA were valued at \$129.6 million in 2001, almost all of which consisted of apparel. These exports represented 60 percent of Lesotho's total exports to the United States. AGOA has prompted a massive surge in employment in Lesotho's textile and apparel sector, adding 15,000 new jobs; for the first time, employment in the manufacturing sector exceeds that of the public sector. Twelve new textile factories have opened in the first three months of 2002 alone. Because of this expansion, Lesotho is building new industrial sites. A U.S. transport and warehousing company plans to locate in Lesotho to serve the textile manufacturing sector. Most investors are from the Far East and South Africa.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** The small economy is based largely on herding, subsistence agriculture, and export of water and labor to South Africa - although with AGOA, the manufacturing sector has increased significantly. Lesotho initiated an economic reform program with the IMF. It is making significant progress

toward a market-based economy that protects private property rights, and is privatizing many utilities and other parastatal enterprises, reaching out to foreign investors. High tariffs maintained by the Southern African Customs Union (SACU) discourage imports of U.S. wheat.

**Rule of Law/Political Pluralism/Anti-Corruption:** The government is a constitutional monarchy with a significant role for traditional chieftains. The Constitution provides for an independent judiciary, laws provide for due process, and authorities generally respect court decisions and rulings. Meetings and rallies by the twelve registered political parties are not hindered. Outside observers concluded that the 1998 election met international standards and accurately reflected the will of the voters. Security force officers were convicted and sentenced for participation in a mutiny in 1998. Lesotho passed an anti-corruption act in 1999 and has taken other steps in response to allegations of corruption. Nineteen political parties have registered for parliamentary elections scheduled for late May 2002; the government has again invited outside observers.

**Poverty Reduction:** Lesotho is working with the World Bank to develop a poverty reduction strategy, but unemployment remains high - about 40 percent - especially in rural areas. Primary education was made free in 2000 and most children aged six to twelve attend school. HIV/AIDS remains a significant problem.

**Labor/Child Labor/Human Rights:** Lesotho generally respects the human rights of its citizens, although there were reports of police using excessive force during arrest. Prison facilities are overcrowded and in disrepair. Worker rights are enshrined in law, but not always respected in practice. There have been reports that employers harass and intimidate union organizers and prevent them from entering industrial areas and that workers face the threat of loss of employment if they join unions. Lesotho established an independent Directorate of Dispute Prevention and Reconciliation for labor issues in November 2001. The government is working with the ILO to conform local policies to international standards, and has applied to join the International Program on the Elimination of Child Labor. Lesotho has ratified key ILO conventions, including 138 (Minimum Age for Employment) and 182 (Worst Forms of Child Labor). Claims of child labor were investigated by the ILO, which found no evidence to support the charges.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** U.S. Embassy and regional officials have worked closely with Lesotho government officials and the private sector to publicize investment opportunities in Lesotho under AGOA. A delegation from the U.S. Congress visited the country in January 2002 to witness Lesotho's success under AGOA. The Government of Lesotho has identified the following areas as priorities for technical assistance: reorganization of the Trade Ministry's international trade section; assistance in registration and certification of handcraft items under AGOA; establishment of a one-stop shop for U.S. investors; and a study to identify AGOA-eligible items for which Lesotho might have a comparative advantage.

## LIBERIA

**Status:** Not AGOA eligible: Liberia has not been designated an AGOA beneficiary country largely because of concerns related to economic reform, rule of law and corruption, human rights, and its destabilizing policies in the region, particularly its participation in the conflict in Sierra Leone.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Government officials and former combatants continue to exploit the country's natural resources for personal benefit. Despite Liberia's rich natural resources and potential for self-sufficiency in food, the country's productive capacity remains depressed by an eighty-five percent unemployment rate, a fifteen percent literacy rate, and the absence of basic infrastructure. Price controls on key commodities such as rice, coffee, cocoa and petroleum products remain in effect, although the government liberalized the rice market by ending the import monopoly. Rules for foreign investment remain opaque and investors are often subjected to bribes and extortion.

**Rule of Law/Political Pluralism/Anti-Corruption:** Liberia's economy was devastated in the seven-year civil war that ended in 1996. Since the election of President Charles Taylor in July 1997, the government has done little to encourage economic development, ensure the rule of law, improve its human rights record, limit corruption, or promote foreign investment. Extortion is a widespread phenomenon in all levels of society. The legislature and the judiciary do not demonstrate genuine independence from the executive. The 1997 elections were deemed free and transparent, but were conducted in an atmosphere of intimidation, as citizens feared that military forces loyal to Charles Taylor would resume the civil war if Taylor lost the election.

**Poverty Reduction:** There is no effective social service delivery system and the government directs few resources to poverty alleviation. The country's primary hospital is closed due to lack of funds, supplies, and personnel.

**Labor/Child Labor/Human Rights:** The government's human rights record is poor, and its agents commit extrajudicial killings, disappearances, torture and beatings, intimidate and threaten the press and arrest journalists, and harass human rights defenders. The Labor Code explicitly prohibits forced labor, but there are reports of the use of forced labor on timber concessions and elsewhere. The ILO has noted a number of instances in which the government has failed to bring law and regulation into conformity with existing conventions or otherwise submit texts for ILO review. Specifically, Liberia has not ratified ILO Convention 182 on the worst forms of child labor. There are credible reports of security forces forcing children to work. There have been instances of prisoners being illegally "hired out" by prison officials to private enterprises. Prison conditions are severe and sometimes life threatening. Starting in July 2001, the government released all political prisoners charged with treason and sedition and declared

amnesty for exiled political opponents. However, in February 2002 the government declared a state of emergency in response to heightened insecurity closer to the capital, which it attributed to the insurgent group Liberians United for Reconciliation and Democracy (LURD). Under the emergency the police detained dozens of suspected "dissident collaborators" and continued arbitrary arrests of journalists and human rights defenders. In addition, government troops carried out widespread looting and other abuses against civilians.

**U.S. National Security and Foreign Policy Interests:** Liberia seriously undermines regional security and U.S. interests by supporting Sierra Leone's Revolutionary United Front (RUF) rebels. The RUF conducted a decade-long civil war in Sierra Leone and more recently carried the conflict into neighboring Guinea, creating a severe refugee crisis by attacking refugee camps and preventing the flow of basic aid and food stocks to areas where more than 500,000 refugees and internally displaced persons reside. The UN Security Council imposed sanctions on Liberia in May 2001 because of the government's support for the RUF.

#### MADAGASCAR

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Madagascar's duty-free exports to the United States under AGOA were valued at \$97.1 million in 2001. These exports represented 36 percent of Madagascar's total exports to the United States. Madagascar's overall exports to the United States more than doubled from 2000 to 2001. Most of the increase was in the apparel sector, which added thousands of new jobs. Unfortunately, the political unrest that followed disputed elections in December 2001 has greatly reduced these exports thus far in 2002.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** The economy of Madagascar relies heavily on agriculture, including exports of shrimp, vanilla, coffee, and cloves. The government is moving towards a market-based economy open to foreign investment. It has dismantled some regulatory constraints impeding private sector development. Madagascar is a member of COMESA and the Indian Ocean Commission (IOC) and was among the first countries to put in place COMESA and IOC tariff reductions. Private property rights are legally protected, but enforcement can be slow, cumbersome, and arbitrary. The government has enacted a strong investment code and export processing zone legislation to attract foreign investment. However, privatization of the airline has been slow and sometimes not transparent. Smuggling of precious stones, rare woods, and endangered species are major concerns. The government created two offices to deal with intellectual property rights issues, but enforcement of laws is weak. The economic blockade of the capital following the highly-contested presidential election in December 2001 has made it extremely difficult and expensive to move inputs and final products. As a result, most suppliers to U.S. importers had laid off most of their workers as of May 2002. U.S. imports of apparel in 2002 will probably drop below 1998 levels.



**Rule of Law/Political Pluralism/Anti-Corruption:** Madagascar has many political parties, as well as privately-owned newspapers, radio and TV stations that regularly criticize the president and the government. However, since the current political crisis, some radio stations belonging to the opposition were closed and newspapers were forbidden in certain regions of the country. The judiciary has been strengthened by improved working conditions for court officials, sanctions against corrupt judges, and through a program to disseminate legal information. Lengthy pre-trial detention remains a major problem. However, the government continues a major effort to reduce the number of these preventive detainees. Anti-corruption laws are not efficiently enforced. Corruption is most pervasive in the administrative sector (project approval, government procurement, licenses, judicial matters, etc.), and among customs and tax officials.

**Poverty Reduction:** Overall economic performance improved over the past decade, but nearly 75 percent of the population still lives in poverty. A poverty reduction strategy is in place. School enrollment increased from 61 percent in 1993 to 76 percent in 1999. The IMF approved release of the second tranche of its Poverty Reduction and Growth Facility. The government has focused on basic education and health services. The government has negotiated an ambitious Structural Adjustment Program with the World Bank and IMF to reverse economic decline, launch sustainable growth, and reduce poverty.

**Labor/Child Labor/Human Rights:** The law provides workers, other than essential service workers, the right to establish and join labor unions. The ILO Committee of Experts noted that many categories of workers are inappropriately designated as essential workers, and thus not allowed to strike. Discrimination against union organizers is prohibited, but enforcement of labor regulations is hampered by lack of government resources, including in export-promotion zones. Forced labor is prohibited. Forced or bonded child labor is prohibited, and this law is effectively enforced. The government ratified ILO Convention 182 on the worst forms of child labor in 2001, although child labor is present, mostly in agriculture and the informal sector. The ILO has asked the government to bring existing labor laws into conformity with ILO conventions and international labor standards. Despite reports of trafficking in women and girls, no arrests or convictions have been made. The government generally respects the rights of citizens in most areas. Prison conditions are poor. A number of human rights groups operate without restriction and government officials are cooperative and responsive. However, use of traditional justice systems in rural areas leads to frequent violations of rights of the accused.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** The U.S. Embassy conducted significant outreach activities in 2001. These included Embassy presentations on various aspects of AGOA to diverse groups in the capital and in other provinces. The Embassy publishes a popular quarterly commercial bulletin for the business community. The Government of Madagascar sponsored several workshops and training programs related to AGOA, on occasions in conjunction with the Embassy. Madagascar has expressed interest in obtaining U.S. assistance with supplying equipment (computers) to process customs information, receiving training for customs agents on AGOA issues, and investment and matchmaking services for local

companies in the textile sector.

## MALAWI

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Malawi's duty-free exports to the United States under AGOA were valued at \$35.4 million in 2001, most of which were agricultural products. These exports represented 49 percent of Malawi's total exports to the United States. Malawi was approved for textile and apparel benefits in August 2001 and has seen an immediate doubling of its exports to the U.S. in this sector. Two textile plants operated by Taiwanese investors are in the process of adding over 4,000 new jobs, and two other companies are preparing to export to the U.S..

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Malawi has a market-based economy and a relatively free investment climate. Economic liberalization and deregulation have fostered development of small-scale farms and agricultural diversification. Prices for most goods and exchange rates are market-determined. The government encourages investment without restriction on ownership, size of investment, source of funds, or destination of the final product. Domestic and foreign investors are treated equally. The government has to date privatized 48 of 110 targeted companies, and is currently privatizing firms in the telecommunications, aviation, transportation, dairy, and banking sectors.

**Rule of Law/Political Pluralism/Anti-Corruption:** Since becoming a multiparty democracy, Malawi has successfully held national elections twice, in 1994 and 1999. The opposition holds a large minority in Parliament. Malawi's laws and judiciary afford equal access to domestic and foreign parties, but resolution of cases can be lengthy due to case backlogs and limited resources. The Constitution guarantees freedom of speech, religion, and assembly, provides for rule of law, the right to due process and a fair trial, and equal protection under the law. The Anti-Corruption Bureau operates without interference and is actively pursuing investigations into public and private corruption. It is common for the government to run over its budget and the procurement system is inefficient and sometimes prone to fraud. Malawi's judiciary is relatively independent but overburdened.

**Poverty Reduction:** Poverty alleviation is a priority of the Malawi government, which has set policies accordingly and emphasized spending on health, education, agriculture, and private sector development. Malawi reached the decision point for HIPC debt relief in December 2000 and has since developed its Poverty Reduction Strategy Paper in conjunction with the IMF, World Bank, and bilateral donors. The PRSP will be the main planning document for government budgeting and poverty reduction activities. Primary education is free; enrollment increased significantly after the 1994 elections, with large gains for girls. The government launched a comprehensive national HIV/AIDS Strategic Plan in late 1999.

**Labor/Child Labor/Human Rights:** Most of Malawi's labor laws have been revised recently and cover the majority of the ILO's core labor standards. However, the lack of resources hampers government enforcement. Workers have the right to form and join trade unions, which are allowed to organize and bargain collectively. Malawi has ratified ILO Convention 182 (worst forms of child labor) and 138 (minimum age). The ILO has funded a survey of the extent of child labor, and a bill that should be submitted to Parliament in 2002 will address tenant farm practices; this legislation will primarily affect the tobacco sector, where most of the child labor is believed to occur. There were also reports of trafficking in persons, specifically children to work in other countries as bonded laborers. UNICEF has a program to combat child labor. The government generally respects human rights, although problems exist in some areas. There were instances of arbitrary arrest, detention, and beatings by police. The government is addressing such behavior by better training for police. Prison conditions are poor. A wide variety of domestic and international human rights groups operate without government restriction.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** The U.S. Embassy facilitated two visits by Cotton Council International to assess the capacity of local textile and apparel manufacturers to supply the U.S. market. Malawian officials participated in a U.S. Customs Service seminar in South Africa and, along with private sector representatives, in the March 2002 AGOA regional seminar in Uganda. The U.S. Embassy actively promoted AGOA via public appearances, workshops, and media interviews. Malawi could benefit from assistance to: 1) address trade financing, especially for small and medium-sized businesses; and 2) help establish new business linkages between Malawi and the United States.

## MALI

**Status:** AGOA eligible

**AGOA Trade and Investment:** Mali's duty-free exports to the United States under AGOA were valued at \$293,000 in 2001, consisting mostly of forest products, minerals and metals shipped under the GSP provisions of the Act. These exports represented five percent of Mali's total exports to the United States.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Mali has undertaken reforms supported by the World Bank, the IMF and other donors, including the United States, to implement a market-based economy. Mali has in place a progressive program of tariff reductions and removal of non-tariff barriers. Privatization has been underway for a decade though some state-owned companies remain to be sold to private investors. Reform of the key cotton sector is underway. Mali has been a leader in regional economic integration among West African states and is a member of the West African Economic and Monetary Union. Mali is a member of the World Intellectual Property Organization, and a signatory of the Paris and Berne conventions. There is no legal barrier to foreign investment and foreign trade. National treatment

is guaranteed for foreign investors. The government has made consistent efforts to attract U.S. businesses.

**Rule of Law/Political Pluralism/Anti-Corruption:** Mali is a constitutional democracy. The 1997 presidential and legislative elections were considered generally free and without evident fraud, though twelve opposition parties boycotted the election. Mali is preparing for presidential and legislative elections to be held later in 2002. The judiciary continues to be subject to executive influence, but the government has begun a plan to restructure and modernize the judicial system. Corruption is considered a crime and punishable under criminal law. The government has worked with the U.S. Department of Justice and the World Bank on anti-corruption efforts.

**Poverty Reduction:** The government finalized its Poverty Reduction Strategy Paper (PRSP) in December 2001 and has adopted it. Based on the PRSP, benefits of the enhanced-HIPC initiative are being invested in education, health and private sector development. For the period 2002 - 2004, 46 percent of the resources amounting to more than \$280 million (\$100 million from debt relief) are earmarked for the education, health and social sectors and 45 percent for the rural development and production infrastructures.

**Labor/Child Labor/Human Rights:** Mali has ratified ILO Convention 182 on the worst forms of child labor. However, Malian children are trafficked and sold into forced labor in Cote d'Ivoire. Mali has taken steps to address trafficking of children, including participating in an ILO regional project, passing a law in August 2001 banning child trafficking, and coordinating efforts with the Ivoirian government. The government launched a campaign in 2000 to combat child trafficking through education of parents on this problem. Reports also indicate that hereditary servitude relationships exist between some different ethnic groups. Laws regarding collective bargaining and freedom of association do not appear to be entirely consistent with ILO principles. Mali generally respects its citizens' rights, although problems such as occasional arbitrary arrests remain. The government in December 2001 held its sixth annual human rights forum, during which individuals and organizations were invited to publicly address their complaints against the government or public authorities that they believe have violated their rights. Prison conditions are poor. The judicial system is slow, causing long pretrial detentions and lengthy delays in trials.

**AGOA Outreach/Technical Assistance/Trade Capacity Building:** In Mali, USAID is funding a project that seeks to expand markets and increase value for traditional specialty crops from West Africa. USAID is also implementing an activity to stimulate the growth of lending in the agricultural sector by demonstrating that with proper risk management, lending to agribusinesses can be profitable. The Malian Government and the private sector have worked together to analyze priority policy issues constraining Mali's economic competitiveness in the West African region and promoting greater private sector participation in the policy reform process. USAID has assisted this effort, supporting the analysis of constraints in key sectors where Mali has

comparative advantages in the West African region and where increased regional competitiveness can be gained.

## MAURITANIA

**Status:** AGOA eligible

**AGOA Trade and Investment:** Mauritania did not export products to the United States under AGOA in 2001. Mauritania's total exports to the United States were valued at \$294,000 in 2001.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Mauritania has moved steadily toward establishing a market-based economy and has made continued progress toward deepening the economy's exposure to market forces. An ambitious reform program aims to stimulate economic growth. Mauritania has established an environment that is conducive to investment, though bribery and corruption continue to be problems. By law, foreign investors receive national treatment, and Mauritania issued a new investment code in January 2002 simplifying export and investment procedures. The currency is freely convertible and the government does not directly subsidize business or industry. There are tax incentives for small- and medium-sized enterprises. The national airline, all commercial banks, and the telecommunications parastatal have been privatized, and electric and water utilities are being privatized.

**Rule of Law/Political Pluralism/Anti-Corruption:** The government has undertaken efforts to retrain judges and others working in the judicial system to implement the constitutional requirement of an independent judiciary, but problems remain. Political discussion is generally freewheeling and unrestrained, aided by an increasingly independent press, which criticizes the government; however, the government sometimes censors individual editions and there is no independent broadcast media. There have been instances in which the government has jailed opposition politicians and banned an opposition party.

**Poverty Reduction:** In February 2000, Mauritania qualified for debt service relief under the HIPC Initiative and will receive relief equivalent to 40 percent of total yearly debt service payments over ten years (approximately \$1.1 billion). The government has developed a consensus-based strategy to reduce poverty to 38 percent of the population by implementing health care, education, and rural development programs. Universal primary education is a key government objective and a tool for poverty reduction. Primary school attendance has increased from 45 percent in 1990 to 86 percent in 1999.

**Labor/Child Labor/Human Rights:** The Constitution provides for freedom of association and the right of citizens to join any political or labor organization. The ILO has expressed concern about prohibitions on strikes and restrictions related to freedom of association, and also about

continuing allegations of forced labor. The government has in the past promised to reform its labor code but has yet to bring labor legislation before the parliament. The government has outlawed slavery and made efforts to eliminate it, but vestiges persist and slavery-like practices may continue in some isolated areas. In 1991, Mauritania was one of the first states in West Africa to ratify the Convention on the Rights of the Child. It has implemented ILO Conventions that set the minimum age of employment at 14 and prohibits children from doing hazardous work. These rules are generally respected in the formal sector, but children under fourteen continue to work in the informal sector and in rural areas; the government lacks resources to effectively enforce child labor laws. Mauritania ratified ILO Convention 182 on the worst forms of child labor in December 2001, and is working with the ILO to implement it. Women play an increasing role in politics. Despite the many positive developments, the overall human rights record is poor.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** Mauritanian businessmen were part of the first group of AGOA Professional Interns that visited the United States in April 2002.

#### MAURITIUS

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Duty-free exports from Mauritius to the U.S. under AGOA in 2001 totaled \$54 million. These exports represented 20 percent of Mauritius' total exports to the United States. There has been significant AGOA-inspired investment in Mauritius. To take advantage of AGOA's textile and apparel provisions, a Chinese firm has started construction of a \$60 million cotton yarn-spinning mill, which will employ 300 local staff. The Mauritian Board of Investment also is considering project proposals from Indian and Italian investors. AGOA also motivated Mauritius-based companies to invest in the textile sectors of Madagascar, Mozambique, and Lesotho. They are considering further investments in Senegal, Namibia, and Uganda. The value of Mauritius' trade and apparel exports to the U.S. increased eight percent in 2001, slowing down considerably after September 11. Resolution of the knit-to-shape and merino wool issues would allow Mauritius to significantly expand exports to the United States.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Mauritius was deemed the most competitive economy in Africa by the World Economic Forum in 1998 and 2000. The government works with the private sector to encourage transparency and encourage market forces. Mauritius has undertaken trade liberalization, including lowering tariffs; has signed the Information Technology Agreement; and is updating patent, trademark, and copyright laws.

**Rule of Law/Political Pluralism/Anti-Corruption:** Mauritius is a robust and vibrant

democracy. Fair and orderly elections, supervised by an independent commission, take place at regular intervals. The press and political parties operate freely and the judiciary is independent. Procurement is open and transparent, although there have been allegations that some contracts are awarded to the ruling elite and favored persons.

**Poverty Reduction:** Rapid economic growth and strong social policies have significantly reduced the percentage of the population living below the poverty line. Primary and secondary education is free and compulsory for ages five to twelve. Nearly 100 percent of primary school age children are enrolled in school. Nevertheless, Mauritius is working closely with the World Bank to address disparities in the employment and education sectors. The private sector has been involved in the diversification of sources of health care. One hundred percent of rural and urban populations have access to safe drinking water.

**Labor/Child Labor/Human Rights:** The government of Mauritius generally respects the rights of its citizens, including freedom of speech, press, assembly, and religion. Mauritian law prohibits forced or compulsory labor as well as trafficking of children. The government has improved the enforcement mechanism to eliminate child labor. The Constitution prohibits discrimination based on race, caste, place of origin, political opinion, color, religion or sex. All workers, including those in Economic Processing Zones, have the right to organize, although only about 12 percent of EPZ workers are unionized. Unionists have had difficulties with the police during attempts to hold demonstrations and marches, and special provisions in the labor law allow for mandatory overtime and holiday labor for workers in EPZs. The ILO and trade unions have called for enactment of legal provisions that would provide greater protections to trade unions against acts of anti-union discrimination. A human rights commission to investigate complaints against the police was established in 1999, and issued its first report in March 2002, focusing on accusations of police brutality. The government is investigating these allegations and looking at how to improve oversight of the police. Mauritius ratified ILO Convention 182 on the worst forms of child labor in 2000.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** The Mauritian Government and private sector, in concert with the U.S. Embassy and American Chamber of Commerce, have been extremely active in disseminating information about AGOA, assisting businesses to access trade opportunities under the Act, and in reaching out to American investors and importers. The Mauritius Export Processing Zone Association organized several seminars related to AGOA. A team from the U.S. Customs Service visited Mauritius in March and April 2002 to review administrative and customs procedures, provide training, and conduct factory verifications as required under AGOA.

## MOZAMBIQUE

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Mozambique's duty-free exports to the U.S. under AGOA were valued at \$5.3 million in 2001, almost all of which were agricultural products shipped under the GSP provisions of the Act. These exports represented 75 percent of Mozambique's total exports to the United States. So far, Mozambique's AGOA-related trade and investment have been relatively limited. However, seafood processors plan to begin exporting prawns to the United States soon. Moreover, now that Mozambique has qualified for AGOA's textile and apparel benefits, manufacturers are preparing to ship a trial order of apparel to the United States, and Mozambique is attracting additional investment from Mauritius.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Mozambique has privatized more than 1,200 companies, including the entire banking system, and deregulated all prices except for fuel. Public enterprises now account for less than 20 percent of output, compared to two-thirds in 1990. The economy has grown rapidly over the past few years as the government has liberalized the financial sector and reformed tax, customs and tariff regimes, instituting a value-added tax in 1999; however, the commercial code remains outdated. Mozambique encourages foreign investment, and signed a Bilateral Investment Treaty with the United States in 1998. Intellectual property rights are generally protected by law.

**Rule of Law/Political Pluralism/Anti-Corruption:** Political pluralism is well established, with a coalition of several opposition political parties controlling 47 percent of parliamentary seats. Multiparty presidential and parliamentary elections were held in 1994 and 1999. More than 70 percent of registered voters cast ballots in the latter election, which was peaceful and orderly, though some vote-counting irregularities did occur. The Constitution provides for rule of law, the right to due process, a fair trial, and equal protection under the law. However, quick and fair trials were usually not possible due to an inefficient, understaffed, underfunded judiciary dominated by the executive and subject to corruption. The government and the private sector consider corruption at all levels to be a serious problem. A comprehensive anti-corruption law is being debated in Parliament. The government has established a special unit to investigate and prosecute corruption-related offenses. Mozambique has taken steps toward adopting the IMF's Code on Monetary and Financial Transparency and the Code on Fiscal Transparency.

**Poverty Reduction:** In March 2000, Mozambique published its Plan for the Alleviation and Reduction of Absolute Poverty, which sets as priorities maintaining high economic growth, improving access to basic education and health care, increasing agricultural productivity and rural employment opportunities, and improving rural infrastructure. Mozambique qualified for enhanced-HIPC debt relief in September 2001. The resultant decreases in debt will help Mozambique continue to devote resources to investments in health care, education, and infrastructure. Mozambique is extremely poor, and social indicators, while markedly improved, remain low. While only 65 percent of children are enrolled in age-appropriate education, this represents a tremendous increase since the end of the civil war. Dealing with HIV/AIDS also drains resources.



**Labor/Child Labor/Human Rights:** Mozambican workers enjoy, by law and practice, the right to organize and bargain collectively, and, except for those in essential services, the right to strike. The law prohibits employers from recruiting new workers, imposing lock-outs or taking legal action, but security forces have used violence to deal with workers' protests. There are laws on the books setting a minimum working age of 15 and prohibiting forced or unpaid labor by children, but children commonly work in rural areas and in the urban informal sector. Mozambique has not ratified ILO Convention 182 on the worst forms of child labor. The government generally respects freedom of the press and assembly, but has imposed some limits on freedom of association. The Constitution prohibits torture and cruel or inhuman treatment; however, there are still instances of serious abuses and torture, beatings, death threats, physical and mental abuse, arbitrary arrest, and extortion by police, and unexplained disappearances of prisoners and lengthy pretrial detentions are problems. New education standards for police have been imposed, a new police academy is being readied, and human rights training is becoming mandatory for all security officers, with human rights groups teaching some of the courses. Prison conditions are extremely harsh and overcrowded.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** The U.S. Embassy has engaged in a wide variety of programming efforts to support AGOA, including: hosting a series of expert speakers on aspects of AGOA; coordinating seminars, conducted by the International Executive Service Corps, on doing business with the United States; holding a series of AGOA overview meetings and special sessions for smaller sectoral groups, such as textiles/garments and agribusiness; providing guidance to the government in its successful application for AGOA textile and apparel benefits; and coordinating activities with the U.S.-Mozambique Chamber of Commerce. A senior Mozambican Customs official participated in a U.S. Customs training program in South Africa. Mozambique could benefit from additional training in customs and other trade-related areas.

#### NAMIBIA

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Namibia's duty-free exports to the United States under AGOA were valued at only \$93,000 in 2001, all of which were agricultural and forestry products shipped under the GSP provisions of the Act. These exports represented less than one percent of Namibia's total exports to the United States. Nonetheless, AGOA has served as a catalyst for helping Namibia decrease its dependence on primary product exports. Within the past year, new and planned investment in Namibia attributable to AGOA in the trade and apparel industry alone has topped \$250 million, and should create 8,000 jobs in the next five years. Investment has come from Malaysia, Singapore, and South Africa, and a U.S. company has entered into a joint venture with a Namibian firm to build and operate the country's first cotton gin producing cotton for the local market and for export. Namibia's Minister of Trade and Industry said that AGOA -

in particular the textile and apparel benefits - "meant more to Namibia than all the development assistance we have received since independence." Namibia completed requirements for the textile and apparel benefits in December 2001. One textile firm employing 1,400 Namibians is scheduled to make its first AGOA export to the U.S. in May 2002. Exports can be expected to increase as the above mentioned investment projects come on line. Namibia's textile and apparel industry is drawing heavily on cotton imported from West Africa. Exports of Namibian automobile parts - in conjunction with South Africa's auto industry - have also increased since 2000.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** The economy is modern, market-based, and with a rules-based trading system. State-owned companies are run on a profit-seeking basis. The Foreign Investment Act of 1990 guarantees foreign investors national treatment, fair compensation in event of expropriation, international arbitration, the right to remit profits, and access to foreign exchange. The government regulates fuel prices and applies relatively high tariffs to imports from outside the Southern Africa Customs Union area.

**Rule of Law/Political Pluralism/Anti-Corruption:** The government is democratic. The rights to due process, equal protection, and fair trial are well established. The judiciary is independent and respected, but backlogs have led to long trial delays. Opposition parties are generally able to function and elections have been free and mostly fair, but instances of harassment of the opposition and unequal access to media and campaign finance have been reported. Anti-corruption legislation and institutions are in place, and the Parliament is reviewing legislation to create a new anti-corruption institution.

**Poverty Reduction:** Economic growth and poverty reduction are key government policy goals. Education accounts for about 24 percent of the national budget; health and social services account for nearly 15 percent. The government encourages micro-enterprise development and opening the tourism and fishing sectors to indigenous entrepreneurs. Income inequality is still high, and poverty is widespread in rural areas. HIV/AIDS is a growing and increasingly significant problem.

**Labor/Child Labor/Human Rights:** Core labor rights, including freedom to form and join trade unions, are affirmed in the Constitution and labor laws. Forced and bonded labor is prohibited, but labor laws do not cover foreign children. The government has ratified ILO Convention 182 on the worst forms of child labor. Child labor is not a serious problem; 95 percent of children aged seven to fourteen attend school regularly. Abuse of women and children is significant, but is increasingly criticized and subject to prosecution. The government generally respects the rights of citizens, including freedoms of speech, press, religion, and association.

**AGOA Outreach/Technical Assistance/Trade Capacity Building:** The U.S. Embassy and the Namibian Government have collaborated on a number of outreach and technical assistance activities. In July 2001, the Embassy hosted a two-day workshop for 38 private sector

participants on AGOA benefits and trade opportunities with the State of Florida. The government sent an eight-person technical delegation to Washington in April 2002 to meet with U.S. officials and gain a better understanding of AGOA customs requirements prior to Namibia's first AGOA textile shipment. The Embassy coordinated the participation of Namibian officials in an AGOA seminar in Geneva in May 2001, the State Department's AGOA Internship Program, and the AGOA regional seminar in Uganda in March 2002. A Congressional delegation led by Representative Ed Royce visited Namibia in January 2002 to examine progress related to AGOA. Namibia could benefit from technical assistance on sanitary and phytosanitary standards enabling it to increase agricultural products to the United States under AGOA.

## NIGER

**Status:** AGOA eligible

**AGOA Trade and Investment:** Niger's duty-free exports to the United States under AGOA were valued at just \$42,000 in 2001. These exports represented three percent of Niger's total exports to the United States. No new AGOA-related investment was reported.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Niger is moving rapidly towards a market-based economy but is constrained by limited resources; Niger is heavily dependent on foreign budgetary support and development assistance. The government is making strides towards privatization. It privatized water and telecommunications parastatals in 2001, and plans further privatization in 2003. Niger has sustained the budgetary discipline and macroeconomic performance necessary to continue to receive disbursements under its three-year IMF Poverty Reduction and Growth Facility. There are no legal barriers to U.S. trade and investment in Niger. Trade liberalizing legislation has been enacted and further measures are being pursued. There have been no investment disputes involving either U.S. or other investors in Niger. The investment code does provide for the settlement of disputes.

**Rule of Law/Political Pluralism/Anti-Corruption:** Niger held generally free, fair and well-administered elections for president and the legislature in late 1999. It also has a free press. The government is moving forward to reform Niger's judicial system; the system's independence and long delays remain problems. The government has worked with opposition legislators on a decentralization plan in advance of planned local elections. Niger continues to make progress in establishing the rule of law, respecting political pluralism, and recognizing the right to a fair trial and equal protection under the law. These rights are now in the Constitution. Their implementation will require much work, but the government has stated its commitment to further these objectives. It has, for example, dismantled the extralegal tribunals established by previous military governments. Political pluralism is flourishing since the election in 1999 of an elected civilian government. The government is committed to and has made progress on reducing corruption, through a series of donor-funded workshops.

**Poverty Reduction:** Niger has qualified for interim debt relief under HIPC, and used the initial \$8 million made available for rural schools, clinics, and community wells. The World Bank and IMF approved Niger's Poverty Reduction Strategy Paper in February 2002, and the government is moving to implement it. The World Bank has a \$313 million development program in Niger with an additional \$75 million for basic education, community-based development, and AIDS prevention in the pipeline.

**Labor/Child Labor/Human Rights:** The Constitution provides formal recognition of workers' rights to establish and join trade unions. However, unions must give notice of their intent to strike. Labor laws are generally good but enforcement is spotty due to the lack of administrative infrastructure. Niger ratified ILO Convention 182 (worst forms of child labor) in 2001, but child labor is very common. The government is working with UNICEF and the ILO to fight against the worst forms of child labor and to promote education through its Basic Education and African Girls Initiative programs. Laws banning slavery and female genital mutilation have been re-submitted to the legislature to bring Niger up to international standards. The December 1999 return to civilian, democratic government has improved the human rights situation in Niger, although problems remain, such as poor courts and prisons and the need for improved training to reduce abuses by law enforcement personnel. The government is trying to address these problems with significant support from the international donor community.

**AGOA Outreach/Technical Assistance/Trade Capacity Building:** The U.S. Embassy has discussed AGOA with a number of Government of Niger officials. Experts from the U.S. Customs Service are scheduled to visit Niger in 2002 to provide technical assistance on legislative regulatory issues.

## NIGERIA

**Status:** AGOA eligible

**AGOA Trade and Investment:** Nigeria's duty-free exports to the United States under AGOA were valued at \$5.7 billion in 2001, consisting primarily of petroleum products. These exports represented 64 percent of Nigeria's total exports to the United States.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** The government has stated its commitment to developing a market-based economy that protects property rights and promotes an open, rules-based trading system. However, some economic policies it has implemented have often been inconsistent with its stated goals. In early 2002, Nigeria raised its import tariffs on many items. A formal program with the IMF was terminated in late 2001 due to the government's failure to meet key macro-economic targets. The government also suspended an informal IMF program in 2002 that sought more liberal exchange policies and fiscal restraint. Despite major delays, the government is proceeding with

privatization. Nigeria's investment promotion effort is hampered by concerns about corruption, security problems, fraud, and bureaucratic red tape. The development of capital markets, including a vibrant stock exchange, may offer hope for spurring domestic investment. Oil and gas investment is still limited to existing joint venture agreements or production sharing contracts with the Nigerian government. Nigeria is party to numerous conventions and agreements regarding intellectual property protection, and its laws generally favor protection of the owners of intellectual property. Cases involving copyright infringement have been successfully prosecuted in Nigeria, but enforcement of existing laws on patents and trademarks remains weak. In contract disputes, the Government of Nigeria has consistently acknowledged its acceptance of prescribed international arbitration clauses. Nigeria is actively pursuing policies to eliminate barriers to U.S. trade and investment and has signed a Trade and Investment Framework Agreement with the United States. The United States and Nigeria have also established a Joint Economic Partnership Committee for regular dialogue on trade liberalization, transparency, and other important issues.

**Rule of Law/Political Pluralism/Anti-Corruption:** For the first time in over 15 years, Nigeria has three recognized, active political parties. An elected, civilian government came to power in May 1999, ending sixteen years of military rule. Since then, debate has been open, the National Assembly assertive, and the press vibrant. The government seeks to reinvigorate the judiciary, which like other government institutions was mismanaged and grew dysfunctional during military rule, and ensure a viable and fair judicial system. The judiciary lacks resources and administrative capacity, delaying the resolution of cases. Government institutions in general have begun to rebound since the return of democracy. However, corruption is rife in the courts and throughout the rest of government and society. President Obasanjo is committed to fighting corruption, and a new commission has been established to investigate official corruption. Despite anti-corruption legislation and some visible results, such as recovering some stolen government assets, reducing corruption will be an extremely difficult task. There is progress in establishing the rule of law, respecting political pluralism, and recognizing the constitutionally guaranteed right to a fair trial and equal protection under the law. Nigeria has, for example, dismantled the extralegal tribunals established by previous military governments. Arbitrary arrest and prolonged pretrial detention remain problems.

**Poverty Reduction:** The government of Nigeria is negotiating with the World Bank and the IMF to develop an economic policy reform program, and poverty eradication strategies to diversify and grow the economy. However, progress has been minimal.

**Labor/Child Labor/Human Rights:** Nigerian workers, except members of the armed forces and essential government security personnel, may join trade unions and strike. The organized labor movement is small but influential; it faces frequent government intervention. Nigeria has ratified several ILO conventions, but has not ratified ILO Convention 182 on the worst forms of child labor. Nigeria has joined the ILO's International Program on the Elimination of Child Labor and is participating in a regional ILO program on trafficking in children. Worker rights and child labor laws are on the books. The government's human rights record is much better than the

military regime's, but is still mixed. Civil liberties and political rights are generally respected, but security forces often resort to extra-judicial killings and excessive force to quell unrest. Beating of detainees and suspects, and arbitrary arrest and detention also occur.

**AGOA Outreach/Technical Assistance/Trade Capacity Building:** The U.S. Embassy has promoted AGOA by organizing or participating in several workshops and seminars. Nigeria has established an interagency committee focused on AGOA implementation.

## RWANDA

**Status:** AGOA eligible. Rwanda is working to complete a textile visa certification system to qualify for AGOA textile and apparel benefits.

**AGOA Trade and Investment:** Rwanda's duty-free exports to the U.S. under AGOA were valued at \$318,000 in 2001. These exports represented four percent of Rwanda's total exports to the United States. No investment activity related to AGOA was reported.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** The government has liberalized foreign exchange and interest rates. Payments and current international transfers are made easily. Rwanda has sold or leased 30 parastatal enterprises, and has a program in place to privatize the tea, coffee, communications, and utilities sectors. The government has adopted a new investment code.

**Rule of Law/Political Pluralism/Anti-Corruption:** The activities of political parties in Rwanda are restricted. However, the government held local elections in March 1999 and district elections in 2001. The government has established a civilian national police. The government is rebuilding the civil service to operate with accountability and competence, and is preparing public disclosure rules and a Code of Conduct for civil servants and elected officials. The government emphasizes capacity building in the justice system, which was virtually destroyed during the 1994 genocide. The judiciary is subject to executive influence, and suffers from a lack of resources. The National Assembly has actively investigated public officials accused of corruption and abuse of office. An anti-corruption body has been established.

**Poverty Reduction:** Rwanda is rebuilding social services decimated by the 1994 genocide. Special training centers for teachers and health care professionals (excluding doctors) have been created in Kigali. A Poverty Reduction Strategy Paper was finalized in December 2001 and is now being implemented.

**Labor/Child Labor/Human Rights:** Union membership is voluntary and open to all salaried workers, including public sector employees. The Constitution provides for the right to create labor unions, which the government generally respects, but agricultural workers are still denied

the right to freely associate, and pre-strike procedures effectively restrict the right to strike. The government ratified ILO Convention 182 on the worst forms of child labor, but does not enforce child labor laws effectively. Most child labor occurs on family farms. There is no forced labor. While there were improvements in some areas, the government's human rights record remains poor. The military is believed to have committed human rights abuses including extra-judicial killings in the Democratic Republic of the Congo, and there are reports of extra-judicial killings inside of Rwanda. A number of soldiers and police are in jail awaiting trial on such charges. Prison conditions are generally poor.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** The Embassy has held round-table discussions on AGOA that drew attendance from private and public sectors, including the Minister of Finance. A representative from the Ministry of Finance attended the AGOA seminar in Uganda in March 2002.

### SÃO TOMÉ AND PRÍNCIPE

**Status:** AGOA eligible.

**AGOA Trade and Investment:** Total São Tomé and Príncipe exports to the United States in 2001 amounted to only \$322,000. None of these exports were under the provisions of AGOA.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** São Tomé and Príncipe, a country of about 140,000 people, is one of the poorest and most heavily indebted nations in Africa. A market-based economy has been created from what was a Marxist-style economy prior to 1990. Currency restrictions have been lifted, largely doing away with a parallel exchange rate system. Import regulations have been simplified and made more transparent. Administrative and budget reforms are underway. The telecommunications and air transport companies have majority private ownership, but the gas distribution and electricity and water companies remain under state control. Most of the state-run cocoa plantations have been privatized; foreign investment is welcome. The island nation remains highly dependent on cocoa and foreign assistance. São Tomé and Príncipe is in the early stages of petroleum exploration and development; production could begin by 2004. In the oil sector, as in many other areas, the government has not developed sophisticated legislation for regulation of investment and trade.

**Rule of Law/Political Pluralism/Anti-Corruption:** São Tomé and Príncipe is a democracy, with multiple parties represented in government, high voter turnout in well-run elections, peaceful transitions to new governments following elections, and a free press. Free and fair presidential elections were held in July 2001, and legislative elections in March 2002. Until recently, the President and Prime Minister were from different parties. Political and civil liberties are guaranteed by the Constitution and are respected in practice by the government. The country has received an outstanding rating by Freedom House for its level of political and civil liberties.

The judiciary is relatively independent. Corruption is a serious obstacle to foreign investment. The new government has stated that it will continue with a vigorous anti-corruption campaign launched by the previous government, which has seen several senior officials fired and some prosecuted.

**Poverty Reduction:** São Tomé and Príncipe's social indicators are strong for such a poor country. However, the standard of living for most residents is extremely low, despite sound government policies. São Tomé and Príncipe had a Poverty Reduction Facility in place, but the IMF suspended it in December 2001 due to fiscal imbalances. The new government plans to work quickly to reestablish a monitored facility with the IMF. São Tomé and Príncipe has qualified for HIPC debt relief, and has begun making contributions to a national fund to support social programs and infrastructure development. The government devotes a larger proportion of its meager resources than most of its African neighbors to education, health, and social welfare. According to UNDP reports, primary school attendance is approximately 90 percent.

**Labor/Child Labor/Human Rights:** The Constitution provides for the freedom of association, the right to organize and bargain collectively, and the right to strike. The law forbids forced or bonded labor, including of children, and such occurrences are not known to exist. The legally mandated employment age is 18 years, though some younger children do help out in family farms or businesses. Working conditions on many cocoa plantations – the largest wage employment sector – are difficult. The average salary for plantation workers does not provide a decent standard of living, and the IFIs have criticized the government for ineffective administration of subsidy support programs. Children work from an early age on plantations and in the informal sector. São Tomé and Príncipe has not ratified ILO Convention 182 on the worst forms of child labor. São Tomé and Príncipe receives very high ratings from international monitoring agencies and NGOs for its record across the wide human rights spectrum.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** No significant activities to report.

## SENEGAL

**Status:** AGOA eligible, including for apparel and textile benefits

**AGOA Trade and Investment:** Senegal's duty-free exports to the United States under AGOA were valued at \$567,000 in 2001, consisting primarily of chemicals and related products shipped under the GSP provisions of the Act. These exports represented less than one percent of Senegal's total exports to the United States.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Senegal is open to foreign private investment. Senegal has a liberal investment code of equitable treatment, free



transfer of capital and profits, and no requirements for local ownership. Since the devaluation of the CFA currency in 1994 the government has eliminated price controls, discontinued export subsidies, removed import bans and licensing requirements, dismantled monopolies, modernized regulatory frameworks, and is privatizing state-owned industries. The legal system actively protects private property rights and the government established an arbitration panel to resolve business disputes. The judiciary is overburdened and, at the lower levels, not immune to outside influence. Senegal is a member of the Organization for the Harmonization of Business Law in Africa. Senegal is signatory to major intellectual property rights conventions and is a member of the World Intellectual Property Organization, but enforcement of counterfeiting laws is lax. The government is working to update its intellectual property rights code, and has started a sticker program to combat piracy of compact disks, digital video disks, and cassettes. Senegal and the United States have a Bilateral Investment Treaty.

**Rule of Law/Political Pluralism/Anti-Corruption:** While the judicial system requires some strengthening as an independent institution, there is generally respect for a fair trial, equal protection under the law, and civil liberties, including freedom of speech, movement, and the press. President Abdoulaye Wade took office in April 2000 following free and fair elections. Senegal's Constitution provides due process and human rights, including equal protection under the law. Corruption occurs in Senegal despite laws against it, and is an obstacle to economic development. Audits of state-owned companies, begun in 2000, have resulted in the jailing of some company directors, but no cases have been heard in court yet.

**Poverty Reduction:** The government has initiated a Poverty Reduction Strategy, which calls for private-sector led growth, programs to improve education and health services, and provides micro-credit financing to stimulate employment. Senegal submitted a final Poverty Reduction Strategy Paper in December 2001, which is being reviewed. Senegal is receiving interim HIPC debt relief pending final approval, which should come later in 2002.

**Labor/Child Labor/Human Rights:** The government has addressed some concerns raised during the AGOA consultation process. Senegal ratified ILO Convention 138 (minimum age for employment), and Convention 182 (worst forms of child labor). In 1998 Senegal, in conjunction with the ILO, initiated a program for the elimination of child labor, which has been extended through 2002. Despite a request from the ILO, the government has not amended the labor code to ensure that trade unions are not subject to dissolution by administrative authority under certain conditions. Currently the Senegal labor code requires prior authorization by the Minister of the Interior before a trade union can exist legally. There are some reports that security forces occasionally commit extra-judicial killings, beatings, and arbitrary detention.

**AGOA Outreach/Technical Assistance/Trade Capacity Building:** The U.S. Embassy has hosted a number of AGOA-related workshops and events, including a briefing and visit by technical experts from the U.S. Department of Agriculture on phytosanitary and sanitary issues for AGOA. The U.S. Embassy has disseminated AGOA background texts, articles, lists of

eligible products, and fact sheets to government officials, private business organizations, and local media. The embassy has also organized meetings to discuss AGOA implementation issues. Press coverage of AGOA has been generally favorable. The Government of Senegal has hosted numerous AGOA-related seminars.

## SEYCHELLES

**Status:** AGOA eligible

**AGOA Trade and Investment:** Duty-free exports from Seychelles to the United States under AGOA in 2001 were valued at \$4.2 million, all of which were electronic products shipped under the GSP provisions of the Act. These exports represented 18 percent of Seychelles' total exports to the United States. The Seychelles has not reported any investment activity related to AGOA.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Seychelles has been slowly abandoning statist economic policies in favor of a free-market approach, and has one of the highest GDPs per capita in Africa. Further reform is expected as a result of the country's application to the WTO. There is no restriction on foreign ownership, and a number of incentives are offered to stimulate private sector investment. However, the economy is generally static, the government continues to play a strong role in the economy, and regulations and controls are burdensome. The trade regime is restrictive: imports, except for capital goods, require government approval, and non-essential imports are subject to quotas. Intellectual property rights are generally not adequately protected.

**Rule of Law/Political Pluralism/Anti-Corruption:** Seychelles has held two free and fair multiparty elections since 1993, including elections in 2001. The constitution adequately protects citizens' rights. Though democratically elected, President Rene wields authority virtually unchecked, especially in the areas of political patronage and resource allocation. There are some restrictions on freedom of the press. The judicial system lacks resources and is subject to executive interference. Corruption is low.

**Poverty Reduction:** Incomes have risen tenfold since 1976. The government emphasizes the importance of health and education, and citizens have access to adequate social services. Primary education for children aged six to fifteen is free and compulsory.

**Labor/Child Labor/Human Rights:** Seychelles generally respects the human rights of its citizens. Children have legal protection from labor and physical abuse, and no form of child labor exists in Seychelles. Seychelles ratified ILO Convention 182 on the worst forms of child labor in 1999. Workers have the right to form and join unions and to engage in collective bargaining. However, collective bargaining rarely takes place. Between 15-20 percent of the labor force is unionized. The government has the right to review and approve all collective bargaining

agreements. Forced or compulsory labor is prohibited. Enforcement of occupational health and safety laws is problematic largely due to a lack of funding. The Export Processing Zone is not subject to labor laws.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** Two government officials and one representative from the Seychelles Chamber of Commerce and Industry participated in the March 2002 AGOA regional seminar in Uganda.

#### SIERRA LEONE

**Status:** AGOA eligible, but with delayed implementation. The implementation date will be determined by the U.S. Trade Representative.

**AGOA Trade and Investment:** No AGOA-related trade and investment reported due to delayed AGOA implementation and the devastation of the recently concluded civil conflict.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Sierra Leone has a market-based economy and an open, rules-based trading system. The 1991 Constitution protects private property rights. Laws generally protect intellectual property rights, including trademark, copyright and industrial design. The legal code provides for resolution of bilateral trade and investment disputes. The main barrier to investment is the continuing effect of the recently concluded internal conflict that devastated Sierra Leone. In 2001, the economy grew by nearly six percent, inflation rates were moderate, and the currency was relatively stable.

**Rule of Law/Political Pluralism/Anti-Corruption:** The government is reasserting control over the country following the end of the conflict. Police and military forces are deployed across the country, but administrative and judicial services remain weak or non-existent outside the capital. The courts demonstrate significant independence, but remain significantly constrained by a lack of resources and personnel. The government is democratically elected. Government policies are conducive to domestic and foreign investment, although corruption at all levels remains a significant problem. An Anti-Corruption Commission has been established but has yet to secure any convictions.

**Poverty Reduction:** Government policy aims to reduce poverty, increase the availability of health care and educational facilities, expand the physical infrastructure, and promote the development of private enterprise. Micro-credit projects are in operation. Poverty alleviation programs are currently financed 100 percent by donors. The external debt burden, coupled with low exports, is an ongoing threat to economic prospects. Debt service is a challenge for the government. Sierra Leone continues to rely on substantial disbursements from the IMF post-conflict programs. The government places a high priority on approaches to bilateral creditors and, in particular, the Paris Club, with a view to securing debt forgiveness through cancellation.

**Labor/Child Labor/Human Rights:** Worker rights are protected under the Regulation of Wages and Industrial Relations Act of 1971. However, government institutions have not demonstrated the capacity to enforce these laws. The ILO has been critical of the government's failure to take action to protect workers against anti-union discrimination by employers. Sierra Leone ratified ILO Convention 182 on the worst forms of child labor in February 2001. The law prohibits the employment of children under 12, which does not meet ILO minimum standards. There is a minimum wage law. ILO has criticized a law that allows traditional leaders to demand compulsory labor. The government's human rights record has improved significantly in the past year, but serious problems remain. In the past, army forces and government-allied militias were regularly implicated in abuses against civilians. Retraining of the army has led to a significant decrease in human rights abuses and improved measures are in place to discipline those soldiers who do disobey. Problems with the militia, although much reduced, continue. Members of the Revolutionary United Front (RUF) committed massive violations of human rights during the country's recent conflict, including the abduction of civilians (women and children), rape, mutilation and amputation of limbs. The Sierra Leone Labor Congress (SLLC) demonstrated to condemn the atrocities committed by the rebels. The rebels then opened fire on the demonstrators, killing 19 and wounding 50.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** Sierra Leone has significant needs due to the recently concluded internal conflict that devastated the country.

## SOUTH AFRICA

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** South Africa's duty-free exports to the United States under AGOA were valued at \$923.2 million in 2001. AGOA exports were recorded in just about every major industry sector. These exports represented 21 percent of South Africa's total exports in 2001. South Africa's automotive industry has been a major beneficiary under AGOA, with vehicles and parts exports to the U.S. in January 2002 over four times greater than in January 2001. South African apparel exports to the U.S. hit a record high in March 2002. Local plants have extended their capacity because of AGOA, saving jobs that had been threatened and creating thousands of new jobs throughout the country. South Africa has also attracted investments in the textile and apparel sector from foreign investors. AGOA has helped with regional economic integration; for example, South Africa imports cotton from Zambia and exports textiles to Mauritius, and South Africans have invested in textile industries in neighboring countries, including Swaziland, Lesotho, and Mozambique. Beyond textiles, other items enjoying increased sales in the U.S. due to AGOA include fresh oranges, wine, household appliances, gold chains, ice cream, fruit bars, and footwear.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** South Africa has a market-based economy that incorporates an open, rules-based trading system, and provides for the protection of private property rights. Although progress was sometimes slow, and deadlines were missed on some high-profile cases, the government continues to privatize parastatals. Liberalization in the telecommunications sector has been problematic and slower than expected. South Africa is making some progress on intellectual property rights protection; police increased seizures of counterfeit goods, but follow-up and prosecution have been inadequate. Copyright protection is still inadequate. South Africa has significantly reduced its average tariff rate, though some tariffs remain high. South Africa provides national treatment for foreign investors. There is no record of expropriation or nationalization of any U.S. investment. There is a bilateral Trade and Investment Framework Agreement, as well as a bilateral tax treaty in force.

**Rule of Law/Political Pluralism/Anti-Corruption:** South Africa is a multiparty parliamentary democracy, and opposition parties operate freely. The government is committed to the rule of law, and is working to strengthen its judicial and regulatory systems. The courts at all levels act independently of the executive and legislative branches. While South Africa faces serious governance and corruption challenges, the government has made the fight against corruption a priority, for example through the establishment of ten anti-corruption bodies. An extremely high crime rate and inadequate police response remain serious problems.

**Poverty Reduction:** The 2001 and 2002 budgets direct more resources to poverty reduction. After a slow start, these programs are improving. The government continues to expand assistance to the poor, in the form of housing, water, electricity, and telephones. The Black Economic Empowerment program, small business support programs, and infrastructure projects to improve access to basic services, housing, education and health care are all aimed at reducing poverty and narrowing the wide income disparities resulting from apartheid. Increasing rates of HIV/AIDS and high unemployment are serious obstacles to reducing the divide between the rich and poor.

**Labor/Child Labor/Human Rights:** The Constitution provides for equal protection, freedom of speech and the press, freedom of assembly, and an independent judiciary; these rights are respected in practice. South Africa provides strong worker rights protections, including the right to freely associate and to bargain collectively. However, there have been attempts by the government to establish a more flexible labor market, especially in the face of developmental needs and privatization. There is a legally established minimum age for the employment of children, but enforcement is difficult in some cases. Child labor occurs in South Africa, particularly in the agricultural sector. South Africa has ratified all ILO core conventions, including ILO Convention 182 on the worst forms of child labor. The government generally respects the human rights of its citizens; however, problems remain in several areas. The government has focused high-level attention on the human rights issues of law enforcement, and is making serious efforts to improve the professionalism of its security services; it has taken action to investigate and prosecute some members of the security forces involved in human rights abuses.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** The U.S. Embassy has conducted extensive outreach activities, including a strong media campaign, reaching thousands of businesspeople all across the country, including in rural areas and the townships. The Embassy worked with the South African Department of Trade and Industry (DTI) to put together joint U.S.-South African “road shows” on AGOA that traveled throughout the country in 2001. The Embassy set up a special web site on AGOA as one way to help address the thousands of inquiries that these outreach efforts generated. With Embassy assistance, the DTI prepared and widely distributed two comprehensive brochures, one for apparel products and one for products on the extended GSP list. The U.S. Department of Agriculture sponsored a seminar for SADC members in Cape Town in August 2001 on sanitary and phytosanitary risk assessment issues. U.S. Customs conducted a workshop in Durban in February 2002. A number of high-level U.S. visits to South Africa served to spotlight AGOA’s successes and opportunities. A congressional delegation led by Representative Ed Royce visited South Africa in January 2002 and held extensive meetings with government and private sector officials to discuss the success and challenges of AGOA. AGOA was a major theme of the February 2002 visit by U.S. Trade Representative Robert Zoellick. In March 2002, the Assistant Secretary of State for Africa, accompanied by the President of OPIC, led a delegation of fund managers to South Africa, highlighting the potential of AGOA to attract foreign investment.

#### SWAZILAND

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Swaziland’s duty-free exports to the United States under AGOA were valued at \$14.8 million in 2001, primarily textiles, apparel, and agricultural products. Swaziland has seen a substantial increase in investment, especially in textiles and apparel. Investors have been primarily from Taiwan. AGOA has contributed nearly 11,000 jobs to Swaziland’s economy. Roughly eight textile and apparel factories began or expanded operations in 2001, and other new operations are under consideration.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Swaziland has a free market economy, with relatively little government intervention. Plans are underway for the sale of state-owned corporations in the air transport and financial services sectors; however, the country lacks an investment code. Protection for patents, trademarks, and copyrights is offered, and pending intellectual property rights legislation, once enacted, will offer greater protection.

**Rule of Law/Political Pluralism/Anti-Corruption:** Living under a modified traditional monarchy, Swazis are not able to democratically change their government. The King retains ultimate executive and legislative authority. A decree which would have further limited freedom of speech and the press, and created a mechanism to neutralize the powers of Parliament and the

judiciary was repealed after domestic and international criticism. The judiciary is independent; traditional and Western-style courts both operate. The government's effort to establish a new constitution, replacing one suspended in 1973, is progressing, though very slowly. The King established a Constitutional Drafting Committee in February 2002 that is charged with drafting a new constitution by October 2002. Freedom of association and assembly are restricted in accordance with a 1973 decree that prohibits political parties, as well as meetings of a political nature -- except in traditional administrative centers -- without consent of the police. However, numerous political groupings operate openly and voice opinions critical of the government. Corruption is not a major problem; the government has created an anti-corruption commission designed to address petty corruption in government.

**Poverty Reduction:** Though education is not compulsory, 95 percent of all children are enrolled in primary education, and 52 percent in secondary school. The current budget proposal would increase education spending by 24 percent and increase capital expenditures for the Ministry of Health and Social Welfare by 25 percent. In addition to assistance from various donors, the government also allocated \$5 million to help reduce rural poverty.

**Labor/Child Labor/Human Rights:** The 1980 Employment Act forbids employers to discriminate on the basis of race, religion, sex, or political affiliation; however, women and citizens of mixed race do still experience discrimination. Swazi law prohibits forced labor, including by children, but Swaziland has not ratified ILO Convention 182 on the worst forms of child labor, and child labor does occur. Swaziland came under annual review for GSP benefits due to significant problems with worker rights; the country avoided being excluded from GSP (and subsequently, AGOA) benefits by enacting a revised Industrial Relations Act in November 2000. Since then, an independent dispute commission has been launched, which has already received over 700 cases, adjudicating nearly 60 percent to date. The government permits domestic human rights groups to operate. There are reports of use of excessive force and interference by the police.

**AGOA Outreach/Technical Assistance/Trade Capacity Building:** The U.S. Embassy has facilitated Swazi participation in several outreach and technical assistance activities, including video conferences, seminars, international visitor programs, U.S. speaker programs aimed primarily at the business community, and training seminars for Customs and Excise officials held in South Africa. The local press has covered AGOA news and activities extensively.

## TANZANIA

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Tanzania's duty-free exports to the United States under AGOA were valued at \$899,000 in 2001, almost all of which were agricultural and forestry products.

shipped under the GSP provisions of the Act. These exports represented three percent of Tanzania's total exports to the United States. Tanzania did not qualify for the textiles and apparel provisions of AGOA until February 2002, so there was no increase in exports in this sector in 2001. Apparel manufacturers are just beginning to receive new orders for export under AGOA, and yarn is being exported from the United States to Mauritius for use in Mauritian clothing exports under AGOA. Non-textile handicrafts and folkloric exports increased in 2001, as did cut flower and seafood exports. To date, no new U.S. investment is reported in response to AGOA.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Tanzania's economic reform program has been comprehensive and sustained. Structural reforms began in the mid-1980s have reduced inflation to below five percent, slashed the government budget deficit and removed price controls. Real GDP growth has averaged four percent in the past five years, and will exceed five percent in 2002. The government has privatized over half of its parastatal enterprises and has liberalized its agricultural policy. Market forces determine interest and exchange rates. U.S. investment in Tanzania is slowly increasing, but is hindered in many sectors by corruption, poor infrastructure, high electricity costs, and bureaucratic inefficiency. The inability to own land or offer it as collateral remains a major impediment to new investment.

**Rule of Law/Political Pluralism/Anti-Corruption:** Criminal trials are open to the public and press. The judiciary is formally independent but suffers from corruption, inefficiency and executive influence. Tanzania became a multiparty state in 1992, and held its second multiparty election in October 2000. While opposition parties campaigned freely, police often harassed opposition supporters, especially in Zanzibar. The government participates in the World Bank Institute's anti-corruption and governance program, established an Anti-Corruption Commission, has indicted senior officials for corruption, took steps to void a corrupt energy deal, and produced a respected, wide-ranging report on corruption in 1997. Nevertheless, the government failed to enact most of the report's recommendations, and has been slow to indict high-ranking officials implicated in corrupt activities.

**Poverty Reduction:** In 2001, Tanzania was one of the first African countries to receive enhanced HIPC debt relief under "Cologne" terms. The government has refocused on social sectors with emphasis on primary services. Tanzania is implementing its Poverty Reduction Strategy Paper for the HIPC Initiative. Although GDP has grown consistently at 4 percent annually, there has not yet been substantial progress on poverty reduction; 2001 per capita GNP was around \$230.

**Labor/Child Labor/Human Rights:** Tanzania has been a member of the ILO's International Program for the Elimination of Child Labor since 1994, and is currently undertaking a program to eliminate child labor. The country ratified ILO Convention 182 on the worst forms of child labor in 2001 and also is participating in an ILO program in the agricultural sector. Despite a new law on freedom of association, the government dissolved a trade union in 2001. With pressure from unions and the ILO, Tanzania is now negotiating to limit the government's ability



to dissolve unions. Police used excessive force in suppressing demonstrations by opposition supporters on Pemba Island in January 2001, resulting in at least 23 deaths. However, in October 2001 the government and the principal opposition political party in Zanzibar reached a reconciliation agreement that is intended to address opposition concerns about human rights and electoral abuses. The agreement paves the way for significant electoral reforms to be implemented before the next general elections in 2005. The agreement also set up a commission of inquiry to investigate the causes of the January 2001 violence on Pemba.

**AGOA Outreach/Technical Assistance/Trade Capacity Building:** The U.S. Embassy facilitated several outreach and technical assistance activities, including satellite broadcasts of AGOA-related programs and assistance to government officials in developing an acceptable visa system for AGOA textile and apparel benefits. Over 30 Tanzanian officials and private sector representatives attended the March 2002 AGOA regional seminar in Uganda. In April 2002, the U.S. Ambassador led a Tanzanian trade delegation to South Carolina to consult with prospective purchasers of Tanzanian agricultural products and U.S. exporters of textile machinery. Tanzania continues to require substantial technical assistance in locating buyers for Tanzanian AGOA exports, marketing products in the United States and elsewhere, and meeting high quality standards expected by U.S. purchasers.

## TOGO

**Status:** Not AGOA eligible: Togo has not been designated an AGOA beneficiary country largely because of concerns related to economic reform, political pluralism and rule of law, corruption, poverty reduction, and human rights.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Since the early 1980s, Togo has sporadically followed economic reform programs supported by the World Bank and IMF with some success. Nonetheless, the economy remains impeded by a large and inefficient state-owned sector, high spending on the security forces, widespread corruption and lack of government fiscal and budgetary discipline. Privatization has been sporadic, although the government privatized a phosphate parastatal in early 2002 and has requested tender offers for several state-owned banks and hotels. Togo has a relatively liberal trade policy, good infrastructure and investment code. Intellectual property is generally offered protection by the 1977 Agreement on the Creation of an African Intellectual Property Organization. There are no significant restrictions on foreign investments. However, in response to ongoing political uncertainty, private investment over the past few years has largely stopped and the international donor community has suspended assistance. European investment in the phosphate parastatal suggests there could be a return to Togo of foreign investors.

**Rule of Law/Political Pluralism/Anti-Corruption:** There are many active opposition parties as well as an active independent press. However, free and fair elections have yet to be held in Togo;

scheduled legislative elections have been cancelled several times, most recently in March 2002. In the past year there were some violations of freedom of the press, intimidation of opposition parties, and abuses of the judicial system. Corruption is still a problem; initial actions of a new anti-corruption body, established in January 2001, are encouraging.

**Poverty Reduction:** The ongoing political impasse and economic difficulties have largely blocked progress in poverty reduction and social indicators have deteriorated in recent years.

**Labor/Child Labor/Human Rights:** Togo's labor code provides some protections for the right to organize and bargain collectively, but the government places some limitations on these rights and does not ensure that these rights are enforced. Trade union leaders are arbitrarily arrested and intimidated. Togo remains a major origin country for trafficking in women for the purpose of forced prostitution and trafficking of children for forced labor. However, the Government is making efforts to stem this trade, including establishing a special court to investigate cases of child trafficking, and adopting a new law on child labor and trafficking. Togo ratified ILO Convention 182 on the worst forms of child labor. The Government does not accord fundamental worker rights to workers in the Economic Protected Zones, a practice that has drawn criticism from the ILO. Togo's human rights record is poor and security forces are responsible for extra-judicial killings, beatings, arbitrary arrest and detentions. The government has been unwilling to investigate or punish effectively those who committed abuses.

**U.S. National Security and Foreign Policy Interests:** Togo was cited in the UN Fowler report for violating UN sanctions against UNITA, but claims to have severed all ties with that organization. In support of the ongoing war against terrorism, Togo was the first African country to pass and ratify all 12 UN counter-terrorism conventions.

## UGANDA

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Uganda's duty-free exports to the United States under AGOA were valued at \$141,000 in 2001. These exports represented less than one percent of Uganda's total exports to the United States. Uganda became eligible for textile and apparel benefits in October 2001; a number of companies are preparing to take advantage of these benefits and there has been new investment in the textile and apparel sector.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Uganda's economy is based on agriculture. The country is a leading economic reformer in Africa, and has achieved macro-economic stabilization. Uganda had a 6.5 percent average growth rate over the past sixteen years, a relatively vibrant capital market, and a business-friendly commercial

environment. Privatization and civil service reforms are proceeding, and the budgetary process is increasingly transparent. The government has made progress in improving the country's infrastructure, and is creating a national road grid. Monopolies in the coffee, cotton, power and telecommunications sectors have been abolished. There has been a recent increase in non-traditional exports such as cut flowers and vanilla. Uganda has consistently welcomed and received foreign investment. Corruption remains a problem, despite efforts to combat it.

**Rule of Law/Political Pluralism/Anti-Corruption:** Presidential and Parliamentary elections took place in 2001, with President Museveni re-elected. The elections were characterized by violence and irregularities in some parts of the country. Despite restrictions on political parties, opposition figures have a significant presence in Parliament and are able to speak out. Uganda participates in the World Bank Institute's Integrated Anti-Corruption/Governance program. A judicial commission probed irregularities in the army procurement process. Poor judicial administration, lack of resources, a large case backlog, and lengthy trial delays circumscribed due process and the right to a fair trial. Backlogs have recently been reduced.

**Poverty Reduction:** In May 2000 Uganda was the first African country to reach its HIPC completion point. It has a long-established Poverty Eradication Action Plan and a Poverty Action Fund. Uganda is one of the first countries in Africa to show a sustained decline in the incidence of HIV/AIDS, reducing the rate of infection in Uganda from 30 percent to less than seven percent in 10 years. Plans to develop the education and health sectors are in place, but ambitious plans to combat poverty are limited by human capacity constraints. Nonetheless, poverty levels have dropped from 52 percent of the population in 1994 to 35 percent in 2001.

**Labor/Child Labor/Human Rights:** The minimum working age is 18; forced labor by children is prohibited by statute but not always in practice, especially in the informal sector. There are inconsistencies between the outdated labor code and Uganda's Constitution, which guarantees freedom of association. Uganda is working with the ILO to update its labor code and strengthen overall industrial relations. Uganda ratified ILO Convention 182 on the worst forms of child labor in 2001. Uganda has joined the ILO's International Program on the Elimination of Child Labor and is participating in a regional ILO project focusing on child labor and cross-border smuggling and drug trafficking. The government has made serious efforts to stem human rights violations, including punishing military officers found guilty of violations. There have been no recent reports of politically motivated killings or disappearances. Human rights organizations are active and operate without government restriction. However, there are restrictions on freedom of assembly and association and constitutional restrictions on political activity. Uganda remains involved in the conflict in the Democratic Republic of Congo (DROC), although it has withdrawn two battalions, leaving two in DROC. Uganda's involvement consists mostly of border control along the Uganda-DROC frontier. A UN report implicated some high-ranking officers of the Uganda People's Defense Forces as being involved in the illegal exploitation of DROC's natural resources. The government has appointed an independent panel to investigate.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** Over 700 participants from Uganda and 14 other African countries attended the March 2002 AGOA regional seminar in Kampala, Uganda. President Museveni participated in the seminar, which received widespread and positive media coverage. In April 2002, the U.S. Embassy conducted a live teleconference between Washington and key Ugandan interlocutors on agricultural issues related to AGOA. Uganda is interested in assistance related to trade financing and to obstacles hindering greater trade in agricultural goods.

## ZAMBIA

**Status:** AGOA eligible, including for textile and apparel benefits.

**AGOA Trade and Investment:** Zambia's duty-free exports to the United States under AGOA were valued at \$775,000 in 2001, primarily forest products shipped under the GSP provisions of the Act. These exports represented five percent of Zambia's total exports to the United States. Since qualifying for AGOA textile benefits in December 2001, Zambia has begun to see a significant upturn in its textile and apparel trade. One Zambian spinning mill has doubled its yarn and textile exports to Botswana, South Africa, and Mauritius since January 2002, and plans to double its production capacity, adding 500 jobs. Cotton production has also increased dramatically, with increased exports to South Africa. An American company plans to add 10,000 hectares of cotton production, in cooperation with 40,000 growers, representing a 20 percent expansion. A South African textile firm is negotiating to buy a closed Zambian textile operation. Zambian fresh snow peas have been approved for export to the U.S., and Zambia hopes to export other fresh vegetables once U.S. government approval is obtained.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Zambia has made progress in developing a market-based economy. Virtually all prices are market-determined and direct import and export subsidies have been eliminated. Zambia welcomes foreign trade and investment. There are no restrictions on foreign investment in the country's stock exchange, no limits on non-cash transactions, and no controls on repatriation of capital or profits. The ongoing privatization program has sold more than three-quarters of state-owned enterprises, including the largest by far, Zambia Consolidated Copper Mines (divested in March 2000). The government has created a one-stop resource for international investors and actively seeks such investment. Zambia is trying to diversify beyond the traditional mining sector, and is promoting agribusiness. Zambian law offers protections for intellectual property rights and the government has taken enforcement actions, for example, against pirated recordings.

**Rule of Law/Political Pluralism/Anti-Corruption:** Since returning to multiparty democracy in 1991, Zambia has held national elections three times, most recently in late 2001 when the presidency peacefully changed hands for the second time. Political pluralism is well established and the President's party is in the minority in Parliament, which has encouraged debate and the

enhancement of separation of powers within the government. The new president and cabinet have pledged to make transparency, good governance, and a liberal economy hallmarks of their administration. The judiciary, while inefficient due to a lack of resources and limited capacity, is independent. Efforts are underway to improve judicial case management. The Constitution provides for due process, a fair trial and equal protection under the law. The Anti-Corruption Commission has been granted additional powers to investigate allegations of government misconduct.

**Poverty Reduction:** The government's Poverty Reduction Strategy Paper aims to combat poverty by development of the private sector, increasing spending on health, agriculture and rural development, and developing human resources. Zambia has now qualified on an interim basis for HIPC debt relief. An estimated 73 percent of the population lives at or below the poverty line. Access to basic education has expanded greatly, especially for girls, and overall funding for education is slated to grow by 33 percent. In an important step to address a major health problem, Zambia has a National AIDS Council to develop and implement a national control strategy.

**Labor/Child Labor/Human Rights:** The Constitution provides the right of citizens to form and join labor unions. Sixty percent of formal sector workers are unionized, but few legal strikes take place, and on occasion striking workers have been suspended by the government. Zambia has signed and implemented all international conventions on labor and child labor; it ratified ILO Convention 182 on the worst forms of child labor in December 2001. Zambian law prohibits child labor and protects basic worker rights, but enforcement is problematic. The country's extreme poverty results in widespread child labor, especially in the informal sector. The government generally respects civil liberties. However, a lack of training and discipline in the police force have exacerbated instances of corruption and other abuses of power, e.g., arbitrary arrest and detention. The previous government investigated allegations of torture, beatings, and other human rights violations but never circulated the report. Observers expect more transparency from the current administration. Within the limits of its resources, the government is making efforts to increase the professionalism of the police force, and the police have been more responsive to criticism from domestic human rights NGOs in the past year.

**AGOA Outreach/Technical Assistance/Trade Capacity Building Needs:** The U.S. Embassy in Lusaka has hosted over 20 AGOA seminars. Embassy officials and visiting experts regularly appear on television and radio to promote AGOA. Embassy staff also are included on the AGOA Promotion Committee established by the Ministry of Commerce. USAID funds the Zambia Trade and Investment Enhancement Project, which provides technical assistance to the government, chambers of commerce and trade associations. The USAID-funded Global Technology Network and the International Executive Service Corps both have strong AGOA components. The Zambian Government seeks technical assistance related to trade policy formulation and technical training on customs procedures.

## ZIMBABWE

**Status:** Not AGOA eligible: Zimbabwe did not receive AGOA beneficiary country designation largely because of concerns related to lack of economic reform, rule of law, political pluralism, corruption, and human rights.

**Market Economy/Economic Reform/Elimination of Barriers to U.S. Trade:** Primarily due to poor government policies, mismanagement, overspending, and a chaotic land reform program, Zimbabwe's economy has been in near free-fall recession since 1999, and has experienced a real-GDP drop of about 25 percent to date. Inflation has been well over 100 percent. Both the farm and non-farm economies have been hit hard, and inefficient state-owned monopolies continue to play too large a role as the privatization drive stagnates. Zimbabwe also has poor relations with the international donor and multilateral lending community. A 1992 investment code liberalized foreign investment regulations substantially, but some sectors of the economy remained closed to foreign investment and import tariffs were increased in 1998. Due to growing economic and political instability, the investment and operating climate in Zimbabwe is significantly worse than it was in 1998; President Mugabe has threatened to seize or nationalize all non-indigenous-owned enterprises. The government imposed price controls and a grossly undervalued official currency peg. Even though laws provide for non-discriminatory practices, including full transparency in the tendering process, government procurement continues to be subject to considerable political influence. The country has a well-developed stock market and generally respects the rulings of courts in business matters. Zimbabwe is a member of the World Intellectual Property Organization, and its laws are intended to provide for the protection of private and intellectual property. The government's lack of commitment to property rights is evident by the on-going chaotic and violent land reform.

**Rule of Law/Political Pluralism/Anti-Corruption:** In parliamentary elections in June 2000, an opposition party gained a significant minority of seats for the first time in the country's history. The political process, however, remains heavily tilted in favor of the ruling party, as demonstrated by the seriously flawed presidential elections in March 2002. The constitution guarantees due process and provides for the right to a fair trial. The judiciary attempts to enforce these rights; but has been subject to considerable intimidation by the government, in particular after it issued rulings against the government, particularly with regard to the government's "fast track" land reform program. Corruption and cronyism have grown worse at all levels of the government, particularly in the civil service and government-owned parastatals.

**Poverty Reduction:** Poverty reduction and expanded access to education and health care remain central to the government's development strategy, but a lack of coordination, will and resources continues to hamper those efforts; relatively high levels of military expenditures also cut into social spending. In the past, the government worked with the United Nations Development Program and USAID on poverty reduction efforts. Zimbabwe is also experiencing severe food shortages as a result of the land reform policy, commodity price controls, and drought.

**Labor/Child Labor/Human Rights:** The government's human rights record has steadily worsened over the past two years. In 2000, supporters of the ruling party engaged in a widespread campaign of murder, violence and intimidation against the political opposition; this continued in 2001 and in the run-up to the 2002 presidential election. A post-election campaign of retribution is ongoing as of May 2002. Security forces torture, beat, and otherwise abuse persons, and arbitrary arrest and lengthy pre-trial detention remain problems. The government and its supporters pressure the independent media and the judiciary when it deems them critical of the government and its policies. Zimbabwe is a member of the ILO and all workers, except government employees, have the right to form and join trade unions. Unions have the right to organize and bargain collectively, although in the current political environment unions are targeted for intimidation and in some instances assassination. Forced labor is prohibited, and employment of children under age 15 is illegal. Zimbabwe has ratified ILO Convention 182 on the worst forms of child labor.

**U.S. National Security and Foreign Policy Interests:** Zimbabwe cooperated with the U.S. Government in investigating cases of potential threats to the U.S. Embassy. Heavily involved in the war in the Congo, Zimbabwe was a signatory to the Lusaka Agreement.

**X. Other Resources for Information on U.S. Trade and Investment Policy for Africa and AGOA Implementation**

The Official U.S. Government website on AGOA  
[www.agoa.gov](http://www.agoa.gov)

The Office of the United States Trade Representative  
[www.usitr.gov](http://www.usitr.gov)  
See the listings under the Africa region.

The U.S. Customs Service  
[www.customs.gov](http://www.customs.gov)

The informed compliance publications under importing and exporting are very useful as well as the regulations provided for under the AGOA portion of the International Agreements section.

The Department of Commerce's Office of Textiles and Apparel  
[www.otexta.ita.doc.gov/Trade\\_Act\\_2000.htm](http://www.otexta.ita.doc.gov/Trade_Act_2000.htm)

This site includes fill rates for the apparel cap on regional and third country fabric.

The Department of Commerce's Office of Africa  
[www.mac.gov](http://www.mac.gov) and [www.doc.gov](http://www.doc.gov)

The U.S. Department of State  
[www.state.gov](http://www.state.gov)

The Overseas Investment Corporation  
[www.opic.gov](http://www.opic.gov)  
Select 1) Press and Publications 2) Publications 3) OPIC highlights

The Export-Import Bank for the United States  
[www.exim.gov/africa](http://www.exim.gov/africa)

The United States Agency for International Development  
[www.usaid.gov/regions/afr/](http://www.usaid.gov/regions/afr/)

Look at Africa Bureau and Office of Transition Initiatives



The International Trade Commission

[http://reportweb.usitc.gov/africa/trade\\_data.html](http://reportweb.usitc.gov/africa/trade_data.html).

This site contains data on U.S. trade with sub-Saharan African countries.

The Department of Agriculture

[www.fas.usda.gov](http://www.fas.usda.gov)

The Department of Transportation

[www.dot.gov](http://www.dot.gov)

The Department of Energy

[www.energy.gov](http://www.energy.gov)

The Small Business Administration

[www.sba.gov/oit/](http://www.sba.gov/oit/)

The Trade and Development Agency

[www.tda.gov/region/index.html](http://www.tda.gov/region/index.html)

## Annex A - AGOA Beneficiary Countries

Republic of Benin	Republic of Mozambique*
Republic of Botswana*	Republic of Namibia*
Republic of Cameroon*	Republic of Niger
Republic of Cape Verde	Federal Republic of Nigeria
Central African Republic	Republic of Rwanda
Republic of Chad	Democratic Republic of Sao Tome and Principe
Republic of Congo	Republic of Senegal*
Republic of Djibouti	Republic of Seychelles
State of Eritrea	Republic of Sierra Leone #
Ethiopia*	Republic of South Africa*
Gabonese Republic	Kingdom of Swaziland*
Republic of Ghana*	United Republic of Tanzania*
Republic of Guinea	Republic of Uganda*
Republic of Guinea-Bissau	Republic of Zambia*
Republic of Kenya*	
Kingdom of Lesotho*	
Republic of Madagascar*	
Republic of Malawi*	
Republic of Mali	
Islamic Republic of Mauritania	
Republic of Mauritius*	

\* - qualified for textile and apparel benefits

# - effective date to be decided by USTR

Annex B - AGOA Eligibility Criteria

The Eligibility Criteria

The eligibility criteria under AGOA are set forth in section 104(a) of AGOA and sections 502(b) and (c) of the Trade Act of 1974, as amended (containing the GSP eligibility criteria). Section 104(a) is provided below in its entirety. A summary of sections 502(b) and (c) is also included below.

"SEC. 104. ELIGIBILITY REQUIREMENTS

(a) In General.-- The President is authorized to designate a sub-Saharan African country as an eligible sub-Saharan African country if the President determines that the country --

(1) has established, or is making continual progress toward establishing --

(A) a market-based economy that protects private property rights, incorporates an open rules-based trading system, and minimizes government interference in the economy through measures such as price controls, subsidies, and government ownership of economic assets;

(B) the rule of law, political pluralism, and the right to due process, a fair trial, and equal protection under the law;

(C) the elimination of barriers to United States trade and investment, including by --

(i) the provision of national treatment and measures to create an environment conducive to domestic and foreign investment;

(ii) the protection of intellectual property; and

(iii) the resolution of bilateral trade and investment disputes;

(D) economic policies to reduce poverty, increase the availability of health care and educational opportunities, expand physical infrastructure, promote the development of private enterprise, and encourage the formation of capital markets through micro-credit or other programs;

(E) a system to combat corruption and bribery, such as signing and implementing the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions; and

(F) protection of internationally recognized worker rights, including the right of association, the right to organize and bargain collectively, a prohibition on the use of any form of forced or compulsory labor, a minimum age for the employment of children, and acceptable conditions of

work with respect to minimum wages, hours of work, and occupational safety and health;

(2) does not engage in activities that undermine United States national security or foreign policy interests; and

(3) does not engage in gross violations of internationally recognized human rights or provide support for acts of international terrorism and cooperates in international efforts to eliminate human rights violations and terrorist activities.

Summary of section 502(b) and (c) of the Trade Act of 1974 as amended.

The President shall not designate any country as a beneficiary country if:

1. The country is a Communist country, unless its products receive normal trade relations treatment, it is a member of the World Trade Organization and International Monetary Fund or is not dominated or controlled by international communism (Sec. 502(b)(2)(A));
2. The country is a party to an arrangement or participates in any action that withholds or has the effect of withholding vital commodity resources or raises their prices to unreasonable levels, causing serious disruption of the world economy (Sec. 502(b)(2)(B));
3. The country affords preferential treatment to products of a developed country which has or is likely to have a significant adverse effect on U.S. commerce (Sec. 502(b)(2)(C));
4. The country has nationalized, expropriated or otherwise seized property, including trademarks, patents, or copyrights owned by a U.S. citizen without compensation (Sec. 502(b)(2)(D));
5. The country does not recognize or enforce arbitral awards to U.S. citizens or corporations (Sec. 502(b)(2)(E));
6. The country aids or abets, by granting sanctuary from prosecution, any individual or group which has committed international terrorism (Sec. 502(b)(2)(F));
7. The country has not taken or is not taking steps to afford internationally-recognized worker rights, including the right of association, the right to organize and bargain collectively, freedom from compulsory labor, a minimum age for the employment of children, and acceptable conditions of work with respect to minimum wages, hours of work and occupational safety and health (Sec. 502(b)(2)(G)).
8. The country has not implemented its commitments to eliminate the worst forms of child labor, as defined by the International Labor Organization's Convention 182 (Sec. 502(b)(2)(H);

this provision was added by the Trade and Development Act of 2000 in Section 412).

Failure to meet criteria 4 through 8 may not prevent the granting of GSP eligibility if the President determines that such a designation would be in the national economic interest of the United States.

In addition, the President must take into account:

1. A country's expressed desire to be designated a beneficiary country (Sec. 502(c)(1));
2. The country's level of economic development (Sec. 502(c)(2));
3. Whether other major developed countries extend preferential tariff treatment to the country (Sec. 502(c)(3));
4. The extent to which the country provides "equitable and reasonable access" to its markets and basic commodity resources and refrains from unreasonable export practices (Sec. 502(c)(4));
5. The extent to which the country provides adequate and effective protection of intellectual property rights (Sec. 502(c)(5));
6. The extent to which the country has taken action to reduce trade-distorting investment practices and policies and reduce or eliminate barriers to trade in services (Sec. 502(c)(6)); and
7. Whether the country has taken or is taking steps to afford internationally recognized worker rights, (Sec. 502(c)(7)).